Austria . . Sch 20	Indonesia . . Rp 2500	Philippines . . Pes 20
Bahrain . . Din 0.650	Israel . . NIS 3.50	Portugal . . Esc 90
Belgium . . BFr 45	Italy . . L 1500	S. Arabia . . Rls 5.00
Canada . . C$1.00	Japan . . Y 150	Singapore . . S$ 4.10
Cyprus . . C£0.70	Jordan . . Fils 500	Spain . . Pta 125
Denmark . . DKr 8.00	Kuwait . . Fils 500	Sri Lanka . . Rup 30
Egypt . . E£1.00	Lebanon . . L 25.00	Sweden . . SKr 7.00
Finland . . Fmk 6.50	Luxembourg . . LFr 45	Switzerland . . SFr 2.20
France . . Fr 8.00	Malaysia . . Rin 4.75	Taiwan . . NT $65
Germany . . DM 2.70	Mexico . . Pes 300	Tunisia . . Din 1.375
Greece . . Dr 80	Morocco . . Dh 6.00	Turkey . . L 350
Hong Kong . . HK$ 12	Netherlands . . Fl 2.75	U.A.E. . . Dh 6.50
India . . Rup 15	Norway . . NKr 7.00	U.S.A. . . $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,995 — Friday August 1 1986 — D 8523 B

Sweden counts cost of Chernobyl N-accident, Page 2

World news — Business summary

Aquino murder case may be retried

Former Philippines military chief Fabian Ver and 25 others acquitted of involvement in the 1983 murder of President Corazon Aquino's husband, Benigno, may face a new trial on the charges, lawyers said.

A three-man commission appointed by the Philippine Supreme Court recommended that their first trial be declared void because of pressure on judges and prosecutors from ousted President Ferdinand Marcos. Page 18

Craxi succeeds

Italian Socialist Party leader Bettino Craxi, who resigned as Prime Minister five weeks ago, meets President Francesco Cossiga today to tell him that he has succeeded in forming a new government. Page 18

Thailand PM named

Thailand's Democrat Party nominated Prem Tinsulanonda for a third term as Prime Minister and national leaders met to form a new coalition government. Page 4

Opec agrees cuts

Organisation of Petroleum Exporting Countries member states agreed to cut their 20m barrels a day oil production level by 1.925m barrels to 18.075m b/d. Page 18

Israel visit admitted

US Central Intelligence Agency director William Casey visited Israel this month, Israeli security sources said following a US television report, denied by Syria, that the CIA chief had been in both Israel and Syria.

Diplomats to strike

Israeli Foreign Ministry officials and diplomats abroad will strike for two hours on August 12 in protest against political appointments which they say the Likud and Labour Parties are attempting to secure for themselves.

Waldheim document

Austrian President Kurt Waldheim held for safe keeping a record of communications and orders for Hitler's army in the Balkans when Waldheim was an officer in the German army during the Second World War, the World Jewish Congress said.

Silva to visit US

Portuguese Prime Minister Anibal Cavaco Silva will visit Washington on September 6 for two days of talks at the invitation of US Vice President George Bush.

Central American row

Honduran President Jose Azcona said that his country will not recognise the jurisdiction of the International Court of Justice in a suit brought by Nicaragua accusing Honduras of playing host to US-backed Nicaraguan rebels.

Iraqi airstrike

Iraqi aircraft bombed the central Iranian town of Doroud, killing at least 15 people, Tehran Radio said, and Iran claimed it was prepared to strike targets across Iraq with surface-to-surface missiles.

Arson attack

Suspected arsonists threw petrol bombs at a West German army engineering school and caused damage estimated at DM 400,000 ($189,000).

Reactors to restart

Two reactors at the Chernobyl nuclear power plant will be recommissioned in October, Soviet atomic energy body said.

Gibraltar guards go

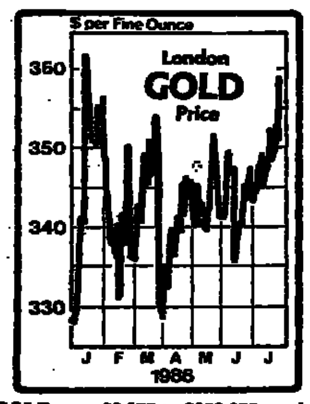
The ceremonial guard which watched over the Gibraltar-Spain border, reopened since February 1985, is being withdrawn, the Governor's office in Gibraltar said.

USX steel group heading for strike

US STEEL industry appeared to be on the verge of its first major strike since 1959 as 21,200 workers at USX, formerly US Steel, prepared for a walk-out after negotiations over a wage contract broke down on Tuesday. Page 6

WALL STREET: By 3pm the Dow Jones industrial average was 0.99 lower at 1,778.40. Page 38

TOKYO: Late selling of large-capital stocks drove equities sharply lower almost across the board. The Nikkei average tumbled 289.34 to 17,509.71. Page 38



GOLD rose $6.875 to $358.875 on the London bullion market. It also rose in Zurich to $359.00 from $353.10. Page 30

LONDON: Confidence faltered as institutional investors stepped back and the rally of the previous two days was rapidly reversed. The FT Ordinary index closed 8.3 down at 1 272.0 and the FT-SE 100 share index lost 8.2 to 1,558.1. Page 38

DOLLAR fell in London to DM 2.0930 (DM 2.1135); SFr 1.6775 (SFr 2.5275); FFr 6.8025 (FFr 6.8525); and Y153.75 (Y156.00). On Bank of England figures the dollar's index fell to 111.4 from 112.1. Page 31

STERLING rose in London to $1.4925 ($1.4905). It fell to DM 3.1225 (DM 3.1500); FFr 10.1525 (FFr 10.2150); SFr 2.5025 (SFr 2.5275); and Y229.50 (Y232.50). The pound's exchange rate index fell 0.3 to 72.0. Page 31

US Commerce Department delayed until today its June report on US leading economic indicators while it double checks the accuracy of its data.

OCCIDENTAL PETROLEUM, Dr Armand Hammer's Los Angeles oil company, reported a 67 per cent drop in second quarter net income to $47.7m. Page 18

BELL GROUP'S chairman, Robert Holmes à Court said he would pass early control of his BHP shares to Elders IXL chairman John Elliot at the forthcoming BHP annual meeting to dispel expectations that it could develop into a proxy battle. Page 22

SIEMENS, West German electrical concern, is to pay $420m for the operations it is taking over from the US telecommunications group, GTE. Page 19

DEUTSCHE BANK, largest West German commercial bank, appears headed for another record result this year after reporting a jump in operating profits in the first half. Page 19

LATINA, Italian insurance company controlled by Carlo De Benedetti's Cofide holding group has agreed to buy 50 per cent of Ausonia, Milan-based insurer with L195bn ($136m) of premiums. Page 19

IMASCO, Canadian tobacco products, fast food and retailing group, reported a fall in first quarter earnings to C$52.9m (US$40m) from C$82.1m a year earlier. Page 20

VSEL, UK's largest warship builder which was privatised in March, saw its shares begin trading at a 58 per cent premium in London. The group includes the former Vickers and Cammell Laird yards. Page 8

MACMILLAN BLOEDEL, Canadian pulp and paper group, lifted net operating profits to C$78.3m (US$60.2m) in the first half following higher shipments of lumber, newsprint, pulp and container board.

US, Japan sign accord to end microchip dispute

BY LOUISE KEHOE IN SAN FRANCISCO AND CARLA RAPOPORT IN TOKYO

THE US and Japan have signed a major trade agreement to settle their long-running trade dispute over semiconductor chips. The trade accord, announced yesterday, is expected to have a significant effect on chip prices and also have important implications for US-Japanese trade relations.

The agreement promises US chip makers greater access to the $9bn Japanese chip market and sets up a price monitoring system designed to prevent Japanese manufacturers "dumping" chips.

In Washington, President Ronald Reagan presented the "historic" agreement as a victory for US "free market principles."

"We have set a precedent to prevent future unfair trading practices in high technology," he said.

In Tokyo, however, Mr Hajima Tamura, the new Minister of the Ministry for International Trade and Industry (Miti), said: "I think that both sides encountered frustrations; neither side was fully satisfied. But from this bitter experience we hope both sides can improve competitiveness."

He claimed the agreement would greatly improve trade relations between the US and Japan and he urged Japanese companies to use "their best efforts" to cope with the agreement.

After more than 12 months of negotiations, trade officials reached agreement just minutes before a midnight deadline on Wednesday. The US had threatened to impose heavy penalty duties on Japanese-made memory chips sold in the US if the trade dispute was not settled in time.

Under the terms of the agreement, Japanese semiconductor makers have agreed not to sell chips below "fair value" – the cost of production plus a modest profit.

US chip makers had charged the Japanese with selling memory chips in the US in some cases at less than one third of production costs.

Price increases following the agreement are expected to range from about 20 per cent to as much as 200 per cent on certain types of chips.

The Japanese International Trade and Industry Ministry will also monitor Japanese export prices on a broad range of semiconductor products that represent the bulk of Japanese semiconductor exports.

In a significant victory for the US, Japan has agreed to extend the monitoring system to cover chips exported to third countries including Europe, despite concerns expressed by EEC officials.

If the US finds evidence of dumping, the governments will consult and the Japanese Government will take "appropriate action to prevent exports at less than company-specific fair value." Miti has also agreed to provide the US Commerce Department with price data within 14 days when dumping is suspected.

For its part, the US has agreed to suspend two major dumping cases covering Japanese memory chips. The US has, however, retained the right to file new dumping suits against Japanese chip makers.

It is understood that Japan has responded to recent US accusations of accelerated memory chip dumping in the US by Japanese companies by agreeing to backdate the imposition of floor prices on memory chips to last month.

The five-year agreement also states that the Japanese Government will "encourage" Japanese companies to buy more foreign chip products and set up an organisation to provide sales assistance to foreign semiconductor producers.

Miti officials in Tokyo last night rejected, however, the notion that the deal implied any admission of guilt by the Japanese on either dumping chips in the US or a lack of market access for US companies

Continued on Page 18

Britain set to hold off immediate SA sanctions

BY MICHAEL CASSELL AND PETER RIDDELL

THE BRITISH Government will go into this weekend's Commonwealth summit in London determined to resist calls for the immediate imposition of economic sanctions against South Africa but accepting that limited new measures are now increasingly likely.

A 10-minute meeting of the Cabinet, which followed a lengthier discussion among ministers at a meeting of the Overseas and Defence Committee, agreed to give Mrs Margaret Thatcher, Prime Minister, and Sir Geoffrey Howe, the Foreign Secretary, a free hand in deciding tactics over the timing and extent of further measures designed to signal British dislike of the Pretoria regime's recent conduct.

In the face of inevitable calls from Commonwealth heads to act against South Africa without further delay, along with renewed threats of splits in the Commonwealth, the UK Government intends to continue to play for time.

The plan is designed to allow for broader discussions at a possible meeting of all Commonwealth leaders in the late summer and to permit EEC partners, the US and Japan to synchronise any further action.

Mrs Thatcher will emphasise that Sir Geoffrey's mission, on behalf of the EEC, has until September to run its full course and that it will continue, whatever pressures are brought to bear on the British Government.

The Cabinet yesterday thanked Sir Geoffrey for what was described as his dignified perseverance during the South African mission and expressed its dismay at the discourtesy shown to him by South Africa's President P.W. Botha. Ministers believe that although any positive reaction from South Africa is highly unlikely, hopes of some positive signals in the next few weeks have not yet been completely ruled out.

Despite the Government's declaration that yesterday brought no change in its position to outright sanctions, it later became clear that the stand was, in part, a negotiating tactic and that ministers had agreed in principle that further measures might now need to be introduced.

There was general support for the view of the Prime Minister and the Foreign Secretary that outside pressures could not change Pretoria's policies. The Cabinet accepted the distinction between the futility of coercive sanctions which would not work and which would damage Britain and more limited measures intended to signal external displeasure at what was happening.

Mrs Thatcher has been heard to talk recently about gesture measures and signal sanctions.

The atmosphere at yesterday's Cabinet discussions was described by one participant as "good and harmonious" with general support and praise for Sir Geoffrey.

Some ministers have reservations about the tone of Mrs Thatcher's comments in unnecessarily raising the temperature although

Continued on Page 18

Details and background, Page 4

Barclays leads race for US listing

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BARCLAYS BANK one of the UK's four leading commercial banks, said yesterday that it expects to become the first foreign bank with clearance from the US Securities and Exchange Commission to obtain a listing for its shares on the New York Stock Exchange, probably in September.

Today, Barclays also becomes the first UK bank to have its shares listed on the Tokyo Stock Exchange.

Mr Humphrey Norrington, Barclays deputy chief general manager, said that the two listings, along with the existing quotation in London "will give 24 hour dealing in Barclays shares. This will mean a much wider ownership of our shares and help to underline our commitment to the US and Japan as major centres of our banking operations."

News of the listings helped lift Barclays' shares on the London Stock Exchange in late trading yesterday after they had been depressed by fears of possible sanctions against South Africa, where Barclays is heavily exposed. The shares closed at 498p, down 14p on the day, but up on the day's low of 485p.

National Westminster Bank, the UK's largest clearing bank, has also said that it is seeking listings on the New York and Tokyo exchanges. Earlier this week Westpac, Australia's largest bank, announced that it intends to obtain a listing in New York.

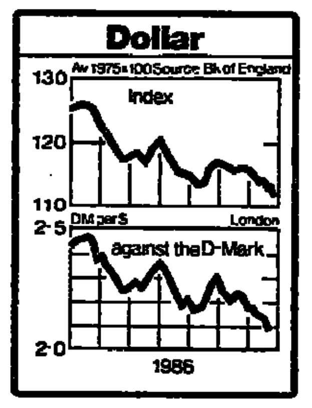
The growing interest of international banks in having their shares quoted on foreign markets reflects their desire to diversify their sources of capital. It is also a sign of the growing competition among banks from different countries for investors at a time when the banking markets are becoming global in character.

Foreign banks have to obtain SEC permission to list their shares in the US because of the provisions of the Investment Companies Act which restricts the access of financial institutions to the equity markets. US banks are specifically exempted, but foreign banks have to obtain individual exemption from the SEC.

Several foreign banks are already listed on the London and Tokyo markets. But the regulatory obstacle has delayed foreign bank listings in New York. Several US stockbrokers have recently produced analysts' reports on the UK clearing banks in anticipation of their shares being traded in the US.

Many foreign banks, including Barclays and NatWest, have already issued debt securities on the US market, and have been reporting regularly to the SEC for some years.

Midland results, Page 26



$ hit by trade worries

By George Graham and Ian Rodger

MOUNTING CONCERN over the trade imbalance between the US and Japan helped to push the dollar yesterday to its lowest ever level against the Japanese yen and to break through the barrier of DM 2.10 against the D-Mark.

The announcement of a $7.8bn Japanese trade surplus in June reinforced the message of the continued deterioration of the US trade deficit, announced the previous day, and led dealers to look for a further depreciation in the dollar to help redress the imbalance.

They were encouraged when Mr George Shultz, US Secretary of State, said that although the dollar's fall so far had brought benefits for US exporters, there was still room for more adjustment in exchange rates.

The immediate effect of the dollar's fall against the yen, however, has been to increase the Japanese trade surplus. Expressed in yen terms, Japan's exports in June were 19 per cent lower than in June 1985, but in dollar terms they were 20 per cent higher.

The US currency weakened steadily through the day, pushing as low as Y153.45 and closing in London at Y153.75, a loss of Y2¼ on Wednesday's close. Against the D-Mark it lost more than 2 pfennigs to DM 2.093, after touching DM 2.0875 at one stage.

Sterling strengthened slightly against the dollar to $1.4925 but weakened against other major currencies. It lost 2¾ pfennigs to DM 3.1225, and the Bank of England's trade-weighted index fell 0.3 to 72.0.

In Tokyo, share prices also came under pressure as economists voiced their fears over the impact of the high yen on the Japanese economy. Mitsubishi Research Institute this week predicted growth of only 1.8 per cent this year, compared with an official forecast of 4 per cent.

The Nikkei average plunged 289 points to 17,509.71, wiping out all the stock market's gains in the past month.

Money markets, Page 31

France raises limit on foreign shareholdings

BY PAUL BETTS IN PARIS

THE FRENCH Government agreed yesterday to ease restrictions on foreign ownership of newly privatised French industrial and financial groups, increasing the ceiling on foreign shareholdings from 15 to 20 per cent.

Mr Edouard Balladur, the economy minister, accepted a series of major amendments to the Government's privatisation bill proposed by a mixed commission of senators and deputies, clearing the way for formal parliamentary approval of the privatisation legislation.

The bill was approved by the right's slim majority in the National Assembly and more comfortable majority in the senate yesterday.

Ironically, the legislation is less restrictive on foreign ownership than the original decree on privatisation which President François Mitterrand refused to sign earlier this month.

President Mitterrand had justified his refusal on the grounds that the decree did not contain sufficient guarantees to safeguard French national interests. This forced Mr Jacques Chirac, the Prime Minister, to push through parliament the necessary legislation for his Government's programme to privatise 65 state industrial and financial companies.

In response to recommendations by the Conseil d'Etat and the Conseil Constitutionel, the two key French judicial bodies, the Government had strengthened the restrictions on foreign ownership by allowing, among other measures, the indefinite use of the "golden share" mechanism.

The French Government can own an *action specifique* or special share in newly privatised companies similar to the preference or "golden" share used in the UK to prevent unwelcome holdings being built up by foreign interests.

The easing of foreign ownership restrictions is likely to reduce the risk of a major dispute over the privatisation programme between Paris and the European Commission. Brussels had already expressed its concern that the original 15 per cent foreign share ownership limit violated EEC rules. The 20 per cent ceiling is still expected to breach community regulations, however.

In Brussels European Commission spokesmen said the French Government decision did not go far enough.

"Twenty per cent is less burdensome for foreigners but it still remains discriminatory," one spokesman said. The Commission had told Mr Jacques Chirac's Government that aspects of its original plans for seling off state-owned industries discriminated against foreigners and thus broke EEC rules.

However, the legislation finally approved has turned out to be more liberal than the original draft fol-

Continued on Page 18

BCal, Sabena agree Atlantic route pact

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

BRITISH CALEDONIAN, the independent UK airline, and Sabena, the Belgian national airline, are to offer a joint North Atlantic service, the first of its kind on the route.

Sabena is discussing further co-operation pacts with other airlines, notably Scandinavian Airlines System, the airline jointly owned by Sweden, Denmark and Norway.

The aim of the agreement with BCal is to save money by using one Boeing 747 "combi" passenger and cargo jet a day each way on the route between Brussels, Gatwick and Atlanta in the US, instead of two DC-10s used at present. The joint service will begin on October 5.

This direct route partnership is the first between major airlines of two Western European countries, although several airlines have joint agreements on aircraft equipment purchasing, training and maintenance.

Sabena and BCal hope to cut the number of unsold seats on the route, and to improve revenues and profits. BCal will be responsible for selling 62 per cent of the seats and cargo space, and Sabena 38 per cent, but if either can sell more it will be free to do so.

The number of seats will vary between 246 and 378. Some cargo will be carried on the main passenger deck.

Sir Adam Thomson, chairman of BCal, and Mr Carlos Van Rafelghem, chairman of Sabena, said passengers would receive a higher level of service.

Sabena will provide the aircraft and the flight-deck crews. Both airlines will provide cabin crews.

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CONTENTS

Response of EEC nations to Soviet N-disaster condemned

AN ALARMING picture of public confusion, contradictory official reactions, and cynical political prevarication is painted in a report on the aftermath of the Chernobyl nuclear disaster on April 26 published yesterday, writes Tim Dickson from Brussels.

The study, carried out in the 12 member states of the EEC by the Brussels based consumer watchdog BEUC, comes hard on the heels of Tuesday's harsh criticisms of safety standards in the Community by the European Commission.

While adding fuel to the Commission case for greater co-ordination and rapid exchange of information after any future disaster, BEUC goes significantly further in calling for greater powers of investigation for Brussels and the setting up of a committee of experts independent of national and industry interests to define the maximum acceptable levels of radioactive emission. It points its finger firmly at France and Belgium — "it is significant that those countries with the highest dependency on nuclear power tended to do least" — but singles out Italy and Germany for allowing economic considerations to influence their actions.

BEUC does not claim its "post mortem" is comprehensive, and although it insists it has taken great care to check its information, it admits that its findings are "only as accurate as the difficult circumstances of the disaster" allowed. Its aim was "to try to create some order out of the chaos which arose, and make sense of the muddle of information and misinformation that was thrown at the average consumer."

"All countries took steps to monitor radiation in the environment and foodstuffs and to check imports from Eastern Europe," it says, "but this is about where the common ground ends." Although radiation levels were far from similar in member states, the report suggests strongly that this does not explain the varying levels of response.

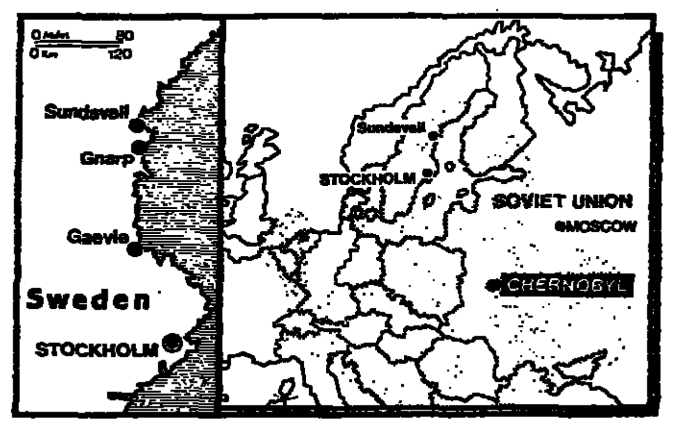
Of the worst affected areas in the Community (southern West Germany, part of Italy and Alsace), BEUC claims that "Germany undertook the most and France practically nothing." Warnings given by the Italian and West German authorities on the consumption of fresh food were basically similar, but while the latter took all sorts of other measures the Italians did not.

The French authorities are also inconsistent, says BEUC, accused of creating a situation "of silence and ignorance." It was not until May 10 that the French found out how serious the situation actually was in some parts of the country and even then, apart from banning spinach in Alsace, no other warnings were given or measures taken as regards domestic foodstuffs.

The actions of countries in the "intermediate" zone were also inconsistent, says BEUC, notably the Benelux countries where Belgium is singled out as showing apparently "least concern."

Chernobyl cloud hangs over Swedish food

BY SARA WEBB IN STOCKHOLM



"USUALLY WE pick blueberries in the woods, but this year we won't. People are still afraid of the radiation," said a housewife in Gaevle, a town on the east coast of central Sweden. Three months after the Chernobyl accident, Sweden is still counting the cost.

Most of the damage occurred in the area around Gaevle and Sundsvall, where the dairy cows have only recently been allowed to graze in the fields, and rigorous checks on milk, meat, fruit and vegetables continue.

Radioactive caesium 137 has been detected in some freshwater fish, reindeer meat, and the wild berries which are just coming into season.

While it is illegal to sell food containing more than 300 becquerel per kilogram, many agricultural producers prefer to play safe by making sure the level of caesium 137 is well below 300 becquerels.

Nedre Norrlands Producentfoerening, which sells 4 per cent of the milk in Sweden has stopped collecting milk from about 35 dairies in Gnarp, a town 150 kilometres to the north of Gaevle, because the caesium 137 levels are just over 100 becquerels.

According to Mr Tommy Naeslund, NNP's controller, the milk is still safe to drink as it is well within the recommended limits. But NNP has decided to dry it and use it for animal feed instead.

The berry buyers are concerned about caesium levels in blueberries, cloudberries, and lingonberries—known in Britain as red whortleberries—from the Gaevle and Sundsvall areas. They are worried that their jams and fruit juices will be left on the supermarket shelves.

Norrfrys, one of the biggest berry purchasers, has bought its own testing equipment and is buying only from low level areas such as Norrbotten, in northern Sweden, and Dalarna, in central Sweden.

"The first question our buyers in Europe ask is whether we have any old stock left over," says Mr Bertil Qvist, managing director for Olle Svensson, which buys between 3,000 and 4,000 tonnes of berries a year. "We have now decided to buy blueberries with less than 100 becquerels per kilo," he adds.

Two reactors at the Chernobyl nuclear power plant will reopen in late autumn and will be manned by teams rotating every two weeks, a senior Soviet atomic energy official said yesterday, Reuter reports from Moscow. The third of Chernobyl's four reactors is still unfit for use and its future will be decided after further tests.

Between 10,000 and 30,000 reindeer may have to be destroyed, according to Mr Odd Engstroem, chairman of a committee of state secretaries from the Civil Service and Energy and Agriculture Ministries, which was set up to advise the government in the wake of the Chernobyl disaster.

The government has said that it would compensate all those who make a financial loss. It has already paid some compensation to dairy farmers for milk which had to be destroyed immediately after the Chernobyl disaster and for extra feed so that cows could be kept indoors away from contaminated pastures.

However, the reindeer herders will not know how much compensation they are entitled to until after the animals have been slaughtered and extensive tests carried out.

Mrs Siv Larsson, who runs Swedo-Export S & A Larsson, which imports and exports berries, claims that her cloudberry exports to Norway have dropped by 50 per cent so far this year.

"All these hysterical articles in the papers are damaging consumption," she complains. "Jam manufacturers in Sweden are holding back. Four of my main customers still haven't bought any cloudberries from me, and some of the wholesalers who supply resturants are also not buying."

The berry pickers themselves are earning less — between SKr 25 and SKr 30 (£2.40 to £2.90) a kilo compared with SKr 35 to SKr 60 last year. This is traditionally the time of year when the Swedes venture out into the woods and mountains and pick berries from public land, either for their own consumption or to sell.

"Many of the pickers are part-time workers or people from areas of high unemployment. They are getting rock-bottom prices," says Mrs Larsson.

Freshwater fish with more than fiv times the recommended level of caesium 137 have been caught. Professor Lennart Albanus from the Swedish National Food Administration says fish with between 300 and 1,500 becouerels per kilo should not be eaten more than once a week. Fish with higher levels should be eaten only rarely.

"We can't stop people going out fishing, but we tell them to be careful," he says.

Recent tests on reindeer meat from central Sweden suggest that it may not be fit for human consumption when the autumn slaughter starts.

So far, the total cost of compensation is unknown. Mr Jack Valentin, deputy director of the Swedish National Institute for Radiation Protection, says the institute spent an extra SKr 5m on overtime, extra staff, travelling, and sampling the environment in the two months after the disaster.

He believes that a total cost to Sweden of SKr1bn is not inconceivable, but concedes that this is "only a suggestion, not based on any real estimates."

It may be a couple of years before more precise figures for the cost to Sweden of the Chernobyl disaster are available.

Moscow creates rights commission

SOVIET officials yesterday announced the creation of a commission on human rights and humanitarian questions but said they did not plan to upgrade the current low level of Jewish emigration to Israel and the West, Reuter reports from Moscow.

At a news conference marking today's 11th anniversary of the signing of the Helsinki Accords on security and co-operation in Europe, they said the commission would concentrate on informing Soviet citizens of their rights.

"We hope it will contribute to problems of interest to Europe and the West," said Mr Yevgeny Silin, deputy chairman of the Soviet committee for European security and co-operation.

He said the 25-to-30-member group, composed of intellectuals, workers and journalists, would begin meeting this autumn.

Asked whether the commission would handle questions of Jewish emigration and the reunification of divided families, Mr Silin said Moscow had no reason artificially to maintain the high emigration levels of the 1970s.

"We recognise that a certain number of Jewish and other families were divided for historic reasons such as World War Two. There were periods of intensive reunification.

"Now this process has been slowed down because a considerable number of families were reunited, and also due to problems such as the Middle East situation," he said.

Emigration of Soviet Jews reached a peak of 51,330 in 1979 but has declined sharply since 1980. A Geneva monitoring body said recently that only 55 Soviet Jews emigrated to the West last month, making a total of 422 for the first half of 1986.

Soviet Jews who wish to emigrate have accused the authorities of failing to respect human rights provisions of the 1975 Helsinki accords, signed by the US, Canada and all European states except Albania.

Mr Yuri Gremitskikh, a Foreign Ministry official, said Jews should not be viewed differently from other Soviet citizens. He said measures restricting emigration of citizens who knew state secrets or had served in the armed forces applied to all alike.

Company Notices

SEOUL TRUST

International Depositary Receipts evidencing Beneficial Certificates representing 1,000 Units

NOTICE IS HEREBY GIVEN to the Unitholders that DAEHAN INVESTMENT TRUST declared a distribution of Won 516,000 per IDR of 1,000 Units payable on or after August 1, 1968 in the Republic of Korea and due at the earliest or after August 14, 1986 as well as a possibility of re-investing in new IDRs of 100 Units of all or part of the distribution to which Holders are entitled from August 1, until August 31, 1986.

1. Dividend Payment

Payments of coupon no. 1 of the International Depositary Receipts will be made on/or after August 14, 1986 in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York:

—Brussels, 35, avenue des Arts
—New York, 30, West Broadway
—London, 1, Angel Court
—Frankfurt, 44-46 Mainzer Landstrasse
—Zurich, 38, Stockerstrasse

The amount of dollars shall be the net proceeds of Won amount by the Korean exchange bank in the Republic of Korea at the current dollar selling rate on the day following their presentation, and will be distributed to the Unitholders in proportion to their respective entitlements and after deduction of all taxes and charges of the Depositary.

Holders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment of their coupons at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depositary or through one of the designated sub-paying agents a certificate showing their residence together with a copy of the certificate of incorporation or a copy of the passport for individuals. Those documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the full rate of 26.875 per cent Korean non-resident withholding tax will be retained.

2. Procedure for the Reinvestment of Distribution

All reinvestment requests in a whole multiple of 100 Units are to be sent to Euroclear Operations Centre, Special Transaction Group, 4 Rue de la Régence, B 1000 Brussels (telephone number: 32 2 519.12.11) enclosed with abovementioned requested documents prior to August 31, 1986

The issue price for reinvestment will be the net asset value per unit on September 8, 1986.

In cases where reinvested distributions are not multiples of 100 Units, the Unit holder can request a partial reinvestment and a partial cash distribution.

Further details such as payment date of issue price for reinvestment, closing and delivery date of IDRs will be communicated by Euroclear Operation Centre to IDRs Holders.

For additional information about the first distribution and reinvestment of Seoul Trust call Morgan Guaranty Trust Company of New York Securities Department (telephone number: 32 2 513.67.20, extn. no. 2011.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Brussels Office, Depositary.

NOTICE

TO THE HOLDERS OF XEROX CANADA FINANCE INC. BANK FIRE INSURANCE
(Incorporated with limited liability in Canada)
ECU 40,000,000 8½% DEBENTURES DUE 1990
("the Debentures")

NOTICE IS HEREBY GIVEN that at the adjourned Meeting of the holders of the above Debentures duly convened and held in accordance with the provisions of the Fiscal Agency Agreement dated 23rd September 1985 in Toronto on 31st July 1986 the following resolution was proposed and passed as an Extraordinary Resolution:

That this Meeting of the holders of the Debentures of Xerox Canada Finance Inc. HEREBY:-

(a) assents to amendment of Condition 3(b)(2) of the Debentures by its deletion therefrom and the substitution therefor of the following with effect from the passing of this resolution:-
"mortgages on property or assets subsequently acquired (or, in the case of property, constructed) by the Company and created prior to, at the time of, or within 18 months after such acquisition (or the completion of such construction), to secure or provide for the payment of or the financing or re-financing of the payment of all or any part of the purchase (or construction) price."

(b) authorises Xerox Canada Inc. to amend the Deed Poll dated 23rd September, 1985 ("Deed Poll") in order to clarify Clause 3 of the Earnings Support Agreement (as defined in the Deed Poll) by deleting the existing clause 2(A)(i)(a) of the Deed Poll and substituting the following therefor with effect from the passing of this resolution:
"(a) its obligations under the Earnings Support Agreement, provided however that, for greater certainty, any reference on such Earnings Support Agreement to ownership of voting shares of the Company means and includes, for purposes hereof, direct or indirect (through one or more wholly owned subsidiaries) ownership of such voting shares, and"

AND FURTHER NOTICE IS GIVEN that such resolution shall be binding upon all Debentureholders, whether present or not at the adjourned Meeting, and upon all the Couponholders, and each of the Debentureholders and Couponholders shall be bound to give effect thereto accordingly.

By Order of the Board

1st August, 1986

XEROX CANADA FINANCE INC.
By: Banque Paribas (Luxembourg) S A of Luxembourg, Fiscal Agent

CHEMICAL NEW YORK CORP.
US$300,000,000 FLOATING RATE SENIOR NOTES DUE 1999

In accordance with the provisions of the Notes NOTICE IS HEREBY GIVEN that for the interest period from July 31st, 1986 to August 29th, 1986, the Notes carry an interest rate of 6 11/16 per cent per annum

The interest payable on the relevant interest payment date, August 29th, 1986, against coupon No. 21 will be US$53 87 per US$10,000 Note.

Agent Bank
CHEMICAL BANK

NOTICE

To Noteholders of Can$75,000,000 FEDERAL BUSINESS DEVELOPMENT BANK 8¼% NOTES due June 16, 1993

Please be advised the Exchange Date for this issue will be October 3, 1986

Legal Notices

IN THE MATTER OF ELEVATORS AND ENGINEERING LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 15th day of September, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Nigel William Smith of 11/13 Holborn Viaduct, London, EC1P 1EL, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 29th day of July, 1986

NIGEL SMITH, FCA
Liquidator

IN THE HIGH COURT OF JUSTICE
Chancery Division
IN THE MATTER OF ROTAPRINT plc
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 21st July 1986 confirming the reduction of the capital of the abovenamed company from £4,600,000 to £2,553,003.10 and the Minute approved by the Court showing with respect to the capital of the said Company as altered the several particulars required by the abovementioned Act were registered by the Registrar of Companies on 29th July 1986.

Dated this 1st day of August 1986.
NORTON ROSE BOTTERELL & ROCHE,
Kempson House, Camomile Street,
London EC3A 7AN
Ref: DBA/63/H172058.
Solicitors for the abovenamed Company.

Opec tries again to work out quota system

BY RICHARD JOHNS IN GENEVA

THE Organisation of Petroleum Exporting Countries is making another effort to establish a viable system of production quotas after claiming to have obtained commitments by members to "voluntary" cuts amounting to 1.925m barrels a day.

A committee headed by Dr Rilwanu Lukman, Nigeria's Petroleum Minister, who is current president of Opec, was asked to draw up proposals to break the long deadlock over production sharing. The others named to assist him were Dr Subroto, the Indonesian chief delegate, and Mr Belkacem Nabi, of Algeria.

Delegates gritted their teeth for a long haul possibly lasting well into next week. Although their countries cannot withstand a prolonged slump in oil revenues, they apparently have no clear idea how to solve the problem nor the necessary willingness to compromise.

The chances of their working out a formula on quotas acceptable to all seemed remote in the face of the insistence by Algeria—which continues to enjoy the backing of Iran, Libya and Gabon—that collective output should be restricted to 15-16m b/d.

At the same time it is accepted by all the others that it is impossible to obtain the agreement of Iran and Iraq to any market share because of the Gulf war.

The two countries' attitude means that under a ceiling of 15m or 16m b/d only around 11m or 12m b/d would be left to be distributed among the other 11 members.

The majority believe that quotas should be agreed under a limit of 17.6m b/d, the volume reckoned at Opec's last conference in late June to meet the average demand for Opec crude for the year as a whole.

There was a general understanding, however, that the three-man committee should use as a basis for its work the calculations made at that conference by Dr Subroto, which involved a complex average of what each individual member state believed to be a fair distribution.

Any accord on quotas would supersede the pledges of "voluntary" restraint which Dr Lukman said had been made by "nine or ten members."

Iran and Iraq were definitely not among them. The United Arab Emirates, according to its chief delegate, Dr Mana al Otaiba, would only be prepared to cut if all the others reduced their rates. A volume of 200,000 b/d was believed to be under discussion.

Venezuela made it clear that any reduction by it should not lower its market share cut. Libya said that it would be prepared to sacrifice 150,000 b/d from a level of 1.4m b/d. In practice, its current rate is believed to be no more than 1.25m b/d and so the offer amounts to nothing.

Several of the 13 members exaggerated the amount of output achieved towards the end of July so that any "cut" would maximise their entitlement under any agreement on "voluntary" restraint.

Fifth Eta suspect expelled

By David White in Madrid

FRENCH collaboration with Madrid in the crackdown on Basque terrorism was confirmed further yesterday with the fifth summary expulsion to Spain of alleged members of Eta, the armed separatist movement.

It fulfilled a promise made by Mr Jean-Bernard Raimond, the French Foreign Minister, during a short visit to Madrid on Wednesday, that Paris would continue the policy it started less than two weeks ago of handing oved alleged terrorists to the Spanish authorities.

The expulsion of Mr Koldo Dobaran Urtiaga, an alleged member of Eta's politico-military faction detained in St Jean-de-Luz on Tuesday, followed a similar move on Wednesday, coinciding with the minister's visit, against Mr Ramon Ruiz de Gauna, who is supposed to belong to the hardline Eta-Militar.

An alleged member of another Basque extremist group, the Autonomous Anti-Capitalist Commandos (CAA), was also arrested in the French Basque country yesterday on a charge of breaking a surveillance order.

Another terrorist suspect, Mr Jose Maria Bereciartua, one of the handful who have up to now enjoyed refugee status in France, was meanwhile being held in the border town of Hendaye.

The Soviet leader as man of the people

BY OUR MOSCOW CORRESPONDENT

WHEN Mikhail Gorbachev had been in the Kremlin less than two months, he took the first of what have become regular forays outside Moscow closeted corridors of power, startling his citizens by mixing with the common folk of Leningrad. There, a woman urged him to be closer to the people than his predecessors. The leader, as eager as any Western politician to adopt the jovial common touch, grinned back and said: "How can I get any closer?"

Mr Gorbachev has been showing off more of his closeness to the locals on an extensive tour of the Soviet Far East over the past week. Every night, the millions glued to national television news have seen him chatting to the citizenry on street corners, on a collective farm, in factories and even a camp for Young Pioneers.

He has talked to the people about everything from black marketeers to the defence budget, shared their concern at the lack of services and children's shoes, met military commanders and scientists and grabbed world headlines with a wide-ranging and intriguing foreign policy speech in Vladivostok.

A recurring theme of his chats is the need to get the economy moving. Clenching his fist or wagging his finger, smiling or scoffing, Mr Gorbachev mixes humour with a Margaret Thatcher-like didacticism to put across his message that he wants his people to prosper and to be proud.

Mrs Raisa Gorbachev lent glamour to the rain-drenched meetings in the Far East. Poised and stylish under a dark umbrella, she listened attentively to her husband, asked her own questions or occasionally hugged a child from the crowd.

For all the physical closeness to the public, however, Mr Gorbachev on walkabout still has a touch of the Czar descending upon loyal subjects. Surrounded by security men, he demands the attention of a silent crowd.

He constantly urges people to be forthright, and not to hide shortcomings from their leader. But he carefully skirted a discussion of the ideological worth of the Young Communist League when confronted on the subject by a worker in Vladivostok.

None the less, he is bringing a measure of greater openness into Soviet life. He assured a Vladivostock woman who complained about an unanswered request to the Communist party congress six months ago that every Soviet citizen has the right to know what is happening to such appeals—although he carefully underlined that they may not always get what they want.

Those who complain about Mr Gorbachev's anti-alcohol campaign are indeed unlikely to receive the plentiful supplies they desire. The leader's offhand advice to Vladivostok residents' complaint about three-hour queues for vodka—and the response: "Don't queue, why make trouble for yourself," has already acquired almost anecdotal status among Moscow wags.

Despite the teasing, however, many Soviet citizens are clearly delighted to have a leader like Mr Gorbachev who gets out and about. Any humour about Mikhail Sergeyevich is tinged with far more respect than the endless anecdotes of the late 1970s about the frailty of Mr Leonid Brezhnev.

As he keeps telling them himself, Mr Gorbachev needs the respect and active support of the people if he is to succeed in his seemingly ambitious plans to double industrial output in 15 years.

Albania and Yugoslavia to open rail link

BY ALEKSANDAR LEBL IN BELGRADE

THE LONG-DELAYED opening of the railway linking Albania with Yugoslavia, and thereby with the rest of the European rail network, has been fixed for next Wednesday.

An Albanian government delegation will take part in the ceremony on the Yugoslav border, some 15 miles south east of Titograd, capital of the Montenegro republic. This will reciprocate the participation of a Yugoslav delegation at the opening in Albania some months ago of the railway line between Shkoder and the border.

The rail link will mark a further step towards ending Albania's physical, not to say political, isolation from the outside world. At present it has only a very bad road connection with Yugoslavia, and a few border crossings recently opened with Greece to the south.

For the time being, the Titograd-Shkoder line will carry only freight. If and when relations between the two countries improve, passengers may be allowed to use it.

Construction of the railway stems from an agreement in 1979. It is highly unlikely that such an agreement could have been reached after the 1981 outburst of nationalism among ethnic Albanians in the Yugoslav province of Kosovo, and the ensuing deterioration of already poor political relations between Belgrade and Tirana. Each side has since accused the other of meddling in its internal affairs.

Completion of the Yugoslav end of the railway was delayed by haggling among the country's various republics on cost-sharing, and the insistence of the Montenegrin rail organisation on extra money to buy locomotives.

Nato chief wants counter to shorter-range missiles

BY DAVID BUCHAN

NATO'S TOP military commander, General Bernard Rogers, has formally proposed a new system, drawing on Star Wars technology, to defend Western Europe against what he perceives to be a growing threat from shorter-range Soviet nuclear conventional missiles.

A planning guideline on tactical ballistic missile defence has been sent by General Rogers's SHAPE headquarters within the past week to the Nato Military Committee for endorsement. If endorsed it will still have to be approved by the alliance's defence ministers at their regular year-end meeting in December before it becomes a formal Nato programme.

Gen Rogers has argued that the threat posed by Soviet shorter range SS-21, SS-22 and SS-23 missiles, which have conventional and chemical capabilities as well as nuclear, has been lost sight of in the recent Western focus on the medium-range SS-20. Because of past political difficulties in deploying Pershing and cruise missiles in Europe, he does not believe that Nato could easily match further Soviet deployments of offensive missiles.

Instead, his headquarters is proposing an improved air defence system that could draw on some of the research into directed-energy weapons, such as electromagnetic rail guns, for the US Strategic Defence Iniative (Star Wars, so called). The recent award of a $10m contract by the US to the British Ministry of Defence to carry out an "architects study" on European missile defence could overlap with preparations for an anti-tactical ballistic missiles (ATBM) system which Gen Rogers is proposing.

Nato officials do not believe that such a system would in any way violate the US-Soviet anti-ballistic missile (ABM) treaty governing the super powers' intercontinental missile defences. There is in any case, some prospect that an ATBM system, whose main political support comes from West Germany, the most exposed ally on the central front, might become a European, rather than an all-Nato, programme.

Poland frees dissident

A LEADING Solidarity activist, Mr Bogdan Lis, was released from prison yesterday, becoming the first prominent opposition figure to be freed by the Polish authorities under a new act of clemency, Reuter reports

He had been due to be released next February after serving a two-year jail term for participating in a clandestine meeting to plan a nationwide strike against price increases.

Seized equipment

A US electronics company, Tektronix, is seeking to repossess a shipment of sensitive equipment seized by Austrian customs while en route for the Soviet Union, Reuter reports

Prices come down

Yugoslavia, where inflation is running at 92 per cent, is cutting the price of 290 articles considered to be ofna tional importance, Reuter reports from Belgrade. These include furniture, car parts, building materials, textiles, shoes and some food.

Memories disturb Hungary

By Leslie Colitt in Berlin

THE Hungarian leadership appears to be at odds over how to treat the approaching 30th anniversary of the 1956 uprising which was crushed by the Soviet Union.

Mr Janos Berecz, a central committee secretary, recently accused the country's tiny dissident movement of following the same goals as its predecessors 30 years ago. He warned that the leadership would not tolerate the "constant tearing open of the wounds," and the denial of the "heroic nature" of the working class movement.

The authorities were apparently surprised by a demonstration last March in Budapest organised by dissidents, who attracted student support, which took several hundred policemen to disperse. The Hungarian dissidents have denied they are planning another demonstration to mark the anniversary on October 23, but do not exclude an "outdoor event" taking place.

Mr Berecz called the uprising a "counter-revolution," but said a distinction should be made between Hungarians who consciously took part in it, those who slid into committing "treason," and the masses, who were "taken advantage of, deceived, or misled."

Mr Janos Kadar, the Hungarian leader, had a rather different message when he mentioned the uprising in a speech last week to party activists. He said the real fault lay in the "distortions in Socialist practice" under Mr Matyas Rakosi, the Stalinist head of the party, who was removed in July, 1956. A popular Hungarian weekly recently began a series of articles, entitled "Those Responsible for 1956," with a piece outlining Mr Rakosi's career.

FINANCIAL TIMES

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OVERSEAS NEWS

NZ's economic policies working says minister

BY DAI HAYWARD IN WELLINGTON

NEW ZEALAND'S Finance Minister, Mr Roger Douglas, *devoted most of his budget* presentation last night to a justification of the Labour Government's economic policies, along with detailed claims showing the policies are working.

He pointed to the reduction in inflation from 17 to 10 per cent in the past year as part proof of this.

"This is a major achievement. Controlling inflation is our *most urgent task, but there is* still a long way to go," Mr Douglas said.

He again emphasised that the *Government will not interfere* to increase the money supply, control the exchange rate or reverse any of the free market policies it has set in train.

"Government expenditure will be financed in a responsible manner. The Government will not resort to printing money. The deficit will be financed through the sale of long-term government stock," Mr Douglas said.

Mr Douglas' speech included a strong attack on the costly "think big" energy projects of the previous administration, and the heavy burden of debt servicing these now impose on the taxpayer.

Without this legacy "from previous Government's excessive fiscal deficits and borrowing," income tax could be cut from its present level of NZ cents *30* in the dollar on incomes of up to NZ$30,000, to NZ cents 15 in the dollar. This could be done and still allow *the government NZ$9bn* to help reduce the deficits." Mr Douglas said.

He pledged, however, that the Labour Government would not go back on commitments made by the previous administration. He announced various measures to restructure some energy project servicing charges *which are substantially* underwritten by the state.

The Government would assume direct responsibility from the consolidated fund, and the supplementary estimates contained a sum of NZ$7.2bn for this.

The only increase in taxes or government charges was a NZ 70 cents increase in the price of a packet of 20 cigarettes, lifting these to around NZ 2.50 a packet.

Good news for motorists was a reduction of six cents a litre in the price of petrol and four cents in the cost of diesel fuel.

The minister also reduced the income tax surcharge imposed last year on Government superannuation payments to elderly people who also receive other income.

This was obviously a political move as the surcharge has *created fierce criticism from* thousands of superannuants said to be switching their political support away from Labour.

Mr Douglas abolished remaining import licences and tariffs, saying these only added to the cost to the NZ consumer. He said that without import tariffs the price of imported clothing in New Zealand would be less than half its present cost.

Healso criticised other countries which allow their farmers to produce huge quantities of agricultural products at a much higher cost than New Zealand can do, but restrict *imports of* New Zealand's products.

There was a strong warning for trade unions and employers that *the Government expects* wage settlements to be kept down this year. The high wage increase last year lifted unemployment and this would happen again if restraint is not shown in the coming wage round, the minister warned.

Zimbabwe budget deficit up by 52%

By Tony Hawkins in Harare

ZIMBABWE'S Finance Minister, Dr Bernard Chidzero, yesterday announced a 52 per cent increase in the budget deficit for 1986/87 to Z$1.05bn (£350m).

Government spending is forecast to rise 22 per cent this year to Z$4.05bn, while revenue, including international aid, will increase 14.5 per cent to almost Z$3bn.

Defence spending will increase 27 per cent to Z$640m because of the South African situation, while debt-service will absorb one quarter of the total budget and education a further 17 per cent.

Subsidies show a further rise of 24 per cent to Z$389m, *mainly price support for agriculture* and provisions to meet the rising losses of Zisco Steel, the national railways and Air Zimbabwe.

The deficit is to be financed from foreign borrowings totalling Z$83m and a huge domestic borrowing requirement of Z$967m.

The minister warned that such a high level of domestic borrowing would have serious implications *for the money* supply and also for the inflation rate, adding that remedial anti-inflationary monetary measures would be announced soon.

The tax changes are essentially minor, with the minister giving away some Z$33m in tax concessions.

The most important of these is the reduction in the rate of general sales tax to 12.5 per cent from 15 per cent, and an increase in the range of exemptions from the tax which now covers *virtually all basic foodstuffs.*

But the price of beer will rise 2 cents 2 a pint and cigarettes will go up by 2 cent 1 for a packet of 10.

The minister has also raised the basic abatement level for low-income tax from Z$100 a month to Z$120 a month.

Dr Chidzero forecast a slowdown in the growth rate of the economy from a provisionally-estimated 7 per cent last year to 4 per cent in 1986.

The minister warned Zimbabweans that it would be necessary to make economic sacrifices because of the South African situation, facing "all eventualities on a planned basis underpinned by unwavering national unity during the period we are entering into.

SOUTH AFRICA

Police lift ban on township funerals

BY BERNARD SIMON IN JOHANNESBURG

A SERIES of legal challenges by trade unions and community organisations has succeeded in eroding the stringent curbs imposed by the South African Government under the seven-week-old state of emergency.

In the latest development in an increasingly familiar pattern, the police commanders in the Johannesburg area yesterday withdrew a ban on funeral services for unrest victims in Alexandra Township.

The reversal *follows* two Supreme Court decisions earlier this week ruling that police officers had exceeded their legal powers by issuing emergency regulations.

On Wednesday, the police also agreed to withdraw sweeping restrictions on 119 organisations in the Cape Town area, shortly before a court case brought by the country's largest black trade union group, the Congress of South African Trade Unions (Cosatu), challenging the validity of the curbs.

The regulations outlawed a wide variety of activities, including trade union meetings, publication of newsletters and speeches by "outsiders" at black schools. The Cape Town court ordered the police to pay Cosatu's legal costs.

A Cosatu official in Durban said yesterday that similar court actions are being planned there.

The court rulings so far are based mainly on legal technicalities, and there is concern among the beneficiaries of the legal actions that the authorities *will re-draft regulations* to comply with the law. The Government has made no move so far, however, to reverse recent judgments.

An action to be heard by the Cape Town Supreme Court to day is widely seen a crucial test of the Government's attitude towards the spate of legal challenges.

The United Democratic Front, a leading anti-apartheid group, *and the Western Cape teachers'* union will ask the court to declare a number of state of emergency regulations invalid.

Other legal challenges have resulted in the Government releasing several people detained in terms of the state of emergency.

In one of the most visible attempts to circumvent the emergency curbs, the country's largest daily newspaper, the Johannesburg Star, has published the names of 3,402 people detained since the emergency was declared.

The Government has banned unauthorised publication of detainees' identities. According to the Star's legal advisers, the paper is not breaking the law if it publishes the names of people whose next-of-kin have been advised by police that they are in detention.

Monitoring groups estimate that the newspaper's list, published over two full pages, accounts for fewer than half the number of people detained.

The authorities have not responded *so far to the Star's* action, but the paper said yesterday that it has received praise from many human rights and political groups.

South Africa's English-language Press groups are to bring an action on August 11 asking a court to set aside a number of regulations affecting the Press. The companies have described the curbs as "unreasonable, unjust and unduly oppressive."

Courts have already overruled several regulations involving the Press. – Only two major constraints remain – reporting on security force actions, and curbs on taking and publishing photographs.

Pretoria smooths the road for black taxi drivers

BY BERNARD SIMON

FOR ONE group of blacks in South Africa, the government and the white business community have lately been making all the right moves.

An estimated 110,000 black taxi drivers have seen their businesses flourish in the past 18 months as Pretoria has cleared the way for them to compete legally with trains and buses, and white suppliers have bent over backwards to help them.

From being hounded by officialdom, threatened with arrest and confiscation of their minibuses, the taxi drivers have become *arguably the most influential* group of black businessmen in the country.

Black taxi operators claim to carry one out of every nine South Africans to and from work each day. They are one of the largest retail fuel consumers, buying an estimated 900m litres of petrol last year.

Toyota and Nissan, the largest suppliers of vehicles to the taxi trade, sell an estimated 600 mini bus taxis a month.

Nissan will sponsor this year's annual meeting of the 40,000-member South African Black Taxi Association at the Sun City resort in Bophuthatswana, the only place able to accommodate the 5,000 delegates *expected to attend.* The company plans to take Sabta's 12-person executive committee to Japan soon.

Apart from *some bickering* among themselves, the taxi operators are a rare example in South Africa *of flourishing private enterprise among blacks,* businesslike co-operation between blacks and the white authorities, and a solid relationship with white business.

Apartheid has helped the taxis flourish. While railway stations and black bus terminals are usually on the fringes of "white" central business districts, taxis are able to pick up and deposit passengers in the core of the cities and throughout the sprawling townships. An informal system of hand signals helps drivers and commuters identify each other's destination.

Buses run by the government-subsidised Putco have been a key target of violence in black townships. Putco has curtailed bus services at the first sign of unrest, and taxis have moved in to fill the gap.

Although taxi fares are relatively expensive, there is less crime than in crowded buses and trains.

Taxi drivers earn an estimated R2,200 (£560) a month, a good wage even by white standards. Mr Godfrey Ntlatleng, Sabta's vice-president, was *holidaying last* week at one of Durban's plushest beachfront hotels, a place reserved for whites until a few years ago.

About a third of the taxi operators have become multi-vehicle owners. One man in East London owns 26 minibuses.

Sabta relies heavily on white expertise. It has given two white men, Mr James Chapman, a *former* garage owner and his partner Mr Leon Steenkamp, a seven-year mandate to run the association. But Sabta's (black) president, Mr James Ngcoya, who owns five taxis in Durban, says. "We have full trust in them."

According to Mr Steenkamp: "The attitude of the government has taken an amazing turn for the better. From being obstructive, they've become very co-operative."

Local road transportation boards plan to issue 25,000 new taxi licences this year, and the government *is giving Sabta* a say in the allocation of permits.

The police, well known for their insensitivity towards blacks, continue to harass many drivers. But Sabta has issued identification cards to its members, entitling them to automatic bail *if* they are arrested for transport-related offences.

The authorities say their change in attitude reflects official policy to put black transport in the hands of black enterprise. There are probably other reasons, including an awareness that the taxis get many blacks to work in the morning and home again at night.

Unlike most other black interest groups, the taxi drivers enjoy the support of some of the country's most influential white businesses, *including motor manufacturers,* banks and fuel companies. The recession in the motor industry would be a lot deeper were it *not for demand for* minibus taxis.

Apartheid has helped the taxis flourish. While railway stations and black bus terminals are usually on the fringes of white business districts, taxis can pick up and deposit passengers in the core of the cities and throughout the sprawling townships.

The latest venture between Sabta and big business involves an agreement by the local subsidiaries of Mobil Oil and Royal Dutch Shell to supply fuel to 60 garages to be opened by Sabta over *the next four years.*

The 315 local taxi associations affiliated to Sabta will be able to circumvent a ban on discounting government-controlled petrol prices by an equity stake in the filling stations and passing dividends on to their members.

Sabta and Barclays Bank's consumer finance subsidiary announced a scheme earlier this month to overcome some of the problems blacks have in financing motor vehicle purchases, such as the paucity of credit records. With Sabta members *providing security for each* other's purchases, a prospective taxi owner now needs a deposit of 20 per cent of the purchase price, compared to between 50 and 60 per cent previously.

Even the taxi trade is not immune, however, from the upheavals in black townships. Police roadblocks and unpredictable violence are among a driver's occupational hazards. A Nissan official says that the state of emergency has dampened motor manufacturers' marketing efforts in the townships—for instance, by making *it impossible to stage* vehicle exhibitions.

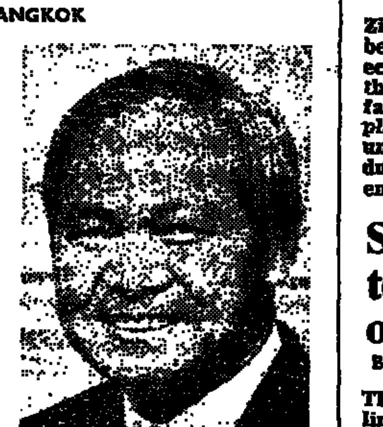
Thailand wins World Bank stamp of approval

BY PETER UNGPHAKORN IN BANGKOK

THAILAND'S economic performance in recent years has not lived up to the promise of the 1970s but development *could continue at a rapid rate,* according to a confidential World Bank report that has been leaked to the press in Bangkok.

Completed in early June, it has come to the public's attention at an important time. Political parties are still negotiating the formation of a coalition government following Sunday's general election and, among the crucial issues in the political bartering are economic policy and key economic portfolios, especially the Finance Ministry.

Among the first tasks facing the new government will be approval of a budget for the next fiscal year which begins on *October 1. That date is also the* beginning of the sixth Five Year Development Plan, details of which will have to be approved as well.



Gen. Prem

The report generally approves of cautious fiscal and monetary policies implemented by the last Government and says that Thailand's foreign debt position is on the whole healthier than most developing countries.

It even advocates an expansion of borrowing, provided the economic climate continues to improve, and points out that Thailand's credit rating is third best in the *developing* world after China and Malaysia.

The report which is normally checked by the Government before *it is completed,* is tactful in its references to Thailand's arms expenditure, simply saying that the financing of new military hardware "must be carefully monitored and other expenditures correspondingly reduced if necessary."

Thailand's economic growth rate has slowed from the averages of between 6 and 7 per cent of the 1970s. In the first half fo this decade, it fell to 5 per cent on average, ending up at about 4 per cent last year.

This year's forecast has been revised to more than 4.5 per *cent as a result of better-than-*expected industrial export earnings and lower oil prices.

The World Bank says one of Thailand's most serious problems is the mobilisation of savings which lagged drastically behind investment and led to balance of payment problems as foreign capital was brought in to fill the gap between the two.

Tax reform is urgently needed, the report says, so that the *government can reduce its* budget deficit.

But the report says the era of rapid development is not necessarily over. The bank's analysis suggests "that the basic theme of the Fifth Plan — to raise savings and investment rates substantially — was a sensible strategy.

"Thailand is much closer to Malaysia and South Korea in terms of investment and growth *potential than would be sug*gested by recent macro-economic data," it adds.

Shekel linked to basket of currencies

By Andrew Whitley in Tel Aviv

THE ISRAELI shekel will be linked to a basket of currencies closely reflecting the shape of the country's foreign trade as from today, abandoning a virtual freeze in its value against the US dollar over the past 13 months.

Government officials said yesterday they expected the change to have a positive impact on domestic inflation —*currently running* at an annual rate of 21 per cent— and an overall beneficial effect on the balance of pay*ments, which has shown* renewed signs of vulnerability in recent months.

The composition of the shekel's foreign exchange index will in future be weighed in the following proportion: 60 per cent for the US dollar, 20 per cent for the Deutsche Mark, 10 per cent for sterling and 5 per cent for the French franc and the Japanese yen.

The Bank of Israel will continue to set rates daily, adjusting the value of individual currencies against the basket-weighted average.

Mr Israel Igra, *foreign* exchange director of the Bank of Israel, said the dollar link had been preserved for the first 13 months of the country's economic stabilisation programme, launched in July 1985, because of its *strong psychological significance* for ordinary Israelis.

However, with the first stage of the programme successfully completed, this was no longer so necessary.

Shift seen in US policy to Pretoria

BY STEWART FLEMING IN WASHINGTON

THE Reagan Administration's decision to approve a high-level meeting between a US diplomat and three officials of the African National Congress, the outlawed guerrilla organisation which is fighting the South African apartheid system, is being seen in Washington as a *significant shift* in US policy towards Pretoria.

"It shows there is some movement on the Administration's part and *they do realise* we have got to talk to people who are opposing apartheid," said one Congressional staff expert on South Africa yesterday.

The US disclosed that its ambassador to Zambia, Mr Paul Hare, held talks in Lusaka on Wednesday with three senior members of the ANC's executive committee — Mr Simon Makana, Ms Ruth Mompati and Mr Anthony Mongalo.

Neither US nor ANC officials would say at whose request the meeting took place, or disclose details of the talks. An ANC official said the session lasted for 90 minutes.

In Washington yesterday, the *decision to go ahead with what* US officials described as the first acknowledged US Government contact with the ANC at this level was seen in part as designed to put the US in a better light with black Africa in the wake of President Ronald Reagan's speech on South Africa last month.

Mr Reagan's address was bitterly attacked in black Africa on the grounds that it was not critical enough of Pretoria.

The US move was also interpreted as designed to demonstrate Washington's impatience with the South African Government's policies.

Separately in Johannesburg yesterday, Mr James Montgomery, US Deputy Assistant Secretary of State for human rights, said: "The last several weeks and months have been a deterioration . . . There has been a retrograde motion" on human rights since the state of emergency was imposed on June 12.

Congressional experts on South Africa said yesterday, however, that they doubted whether the State Department's decision to approve a meeting of its ambassador to Zambia and ANC officials would have any impact on the debate in the US Senate about whether to approve legislation imposing further economic sanctions on South Africa.

One Republican staff official said it would require a clear response to the mounting political pressure on it from the South African Government to blunt Congressional calls for further sanctions.

Co-ordinated action 'could be decisive'

By Michael Holman

A NEW STUDY on sanctions against South Africa assesses the likely impact of measures ranging from an effective oil embargo to restrictions on bank loans, and argues that co-ordinated international action "could be decisive within a measurable period."

The book, by Richard Moorsom, is due to be published next month by the Catholic Institute for International Relations (CIIR).

The most effective measures says the study include a ban on oil supplies monitored and enforced by the West, and bans on gold exports from South Africa, an end to bank loans, and a halt to imports of South African agricultural products, bulk minerals and metals, and diamonds.

The book argues that the effect on employment in Britain should sanctions be introduced has been exaggerated, and suggests that job losses would be measured only in the *thousands.*

The Scope for Sanctions, Richard Moorsom, CIIR, 22 Coleman Fields, London N1 7AF, £3.95.

Swedish Premier rules out trade boycott

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

MR INGVAR CARLSSON, the Swedish Prime Minister, has ruled out a Swedish trade boycott against South Africa, at least for the moment, but the Swedish Government is coming under increasing domestic pres*sure to sever trade links with* Pretoria.

Sweden's policy on South Africa is also leaving it increasingly isolated in Scandinavia, following Norway's decision last week to follow Denmark's earlier example by imposing a trade boycott on South Africa.

Sweden's minority Social Democratic Government, which has been one of the most vocal western critics of South African apartheid policies, is in a difficult position, as it faces mounting calls from both the two centrist opposition parties and *from within the labour move*ment to form a united front with other Scandinavian countries.

Mr Ingvar Carlsson, who is facing one of his most difficult foreign policy tests since taking over as Prime Minister in March, has defended Sweden's decision not to impose a boycott on the grounds that it would be an infringement of international law, and in particular of the General Agreement on Tariffs and Trade (Gatt) regulations.

Mr Ingvar Carlsson

As a small neutral country Sweden could not break international law to impose a boycott.

Instead of a formal boycott, Mr Carlsson hopes that earlier moves by the Government to urge Swedish companies to cease trading voluntarily with South Africa will be equally effective in stopping trade with Pretoria.

In addition Sweden and the other Nordic countries are seeking to persuade the UN security council to vote in favour of binding sanctions against South Africa as a means of persuading the US, the UK and West Germany to take part in sanctions.

Acknowledging growing domestic pressure, Mr Carlsson *is to call together the Social* Democrats' parliamentary group and the party board in late August to discuss South Africa policy.

This is to be followed by a meeting of the country's Foreign Affairs Council, which has representatives of all parties represented in the Riksdag, the Swedish parliament, except the Communists.

Mr Sten Andersson, Foreign *Minister, is to meet the leaders* of the opposition political parties next Tuesday to discuss the country's South Africa policy.

Embarrassingly for the Social Democrats, only the Swedish Conservative Party supports the Government's stance against a boycott. The Liberal and Centre parties as well as the Communists all support tougher measures.

Ms Anna Lindh, chairman of the Social Democrats' youth movement, said it would be *simply* embarrassing if Sweden refuses to join Denmark's and Norway's joint boycott.

Mrs Karin Soder, leader of the opposition Centre Party, said that Sweden could not "stand aside, when our neighbours Norway and Denmark have decided on far-reaching sanctions against the South African apartheid régime. We cannot use our neutrality as an excuse in this question."

Denmark introduced a trade boycott against South Africa in June—a move that was pushed through by the Social Democrats and other opposition parties.

Mrs Gro Harlem Brundtland, Norway's Labour Prime Minister, announced last week that the Norwegian Government intended to introduce legislation for a trade boycott against South Africa in the autumn.

Both Mr Carlsson and Mr Andersson have left the door open for eventual legislative action against South African trade, but only *if it is shown* that Swedish companies do not join a voluntary boycott, and if the UN fails to take action in the Security Council.

Thatcher snubs union leaders

By Our Labour Staff

BRITAIN'S Prime Minister, Mrs Margaret Thatcher, has refused to meet a delegation of Commonwealth trade union leaders, which included representatives of two of South Africa's non-racial trade union federations, the Commonwealth Trade Unions Council (CTUC) said yesterday.

Commonwealth trade union leaders are meeting in emergency session in London, with representatives of the Confederation of South African Trade Unions, and the Council of Unions of South Africa, to press for sanctions against President Botha's Government.

Hopes rise as peace talks resume on Afghanistan

BY WILLIAM DULLFORCE IN GENEVA

AFGHANISTAN and Pakistan resumed talks in Geneva yesterday on a peace settlement in Afghanistan with expectations heightened by the announcement by Mr Mikhail Gorbachev the Soviet leader, on Monday that six Soviet regiments would be withdrawn from the country by the end of the year.

A timetable for the withdrawal of the Soviet troops and a mechanism for monitoring the withdrawal are the two issues *outstanding* in the negotiations which have been dragging on since 1982.

Mr Diego Cordovez, the UN under-secretary co-ordinating the talks, said Mr Gorbachev's statement in Vladivostok could "prove extremely helpful." Earlier this month, Mr Cordovez *had wanted to* postpone the talks because he thought the time was not propitious.

By announcing the withdrawal of the six regiments, Mr Gorbachev said, the Soviet Union *was seeking to speed up* and give another impetus to a political settlement in Afghanistan.

The US has already expressed scepticism about the Soviet move. Both the White House and the State Department pointed out that Moscow had *made similar* announcements of troop reductions in the past which had turned out to be part of the regular rotation of units serving in Afghanistan.

If the Soviet Union was serious about a settlement, they should present a short timetable for the withdrawal of all 115,000 troops in Afghanistan, Mr Bernard Kalb, the State Department spokesman, said.

Hopes were raised just before the start of the last round of the *Afghan-Pakistan* talks in May, when it was announced that Gen Najibullah was taking over as leader of *the Afghan Communist* Party from Mr Babrak Karmal.

Sudan premier meets rebels

By Our Foreign Staff

SUDAN'S Prime Minister, Mr Sadiq el Mahdi, met rebel leader Col John Garang yesterday in the Ethiopian capital, Addis Ababa, in an *attempt to end the country's* three-year-long civil war.

This, their first meeting, signals an important change in the position of the Ethiopian-backed rebel Sudan People's Liberation Army (SPLA), which hitherto has refused to talk directly with the newly-elected government in Khartoum.

The meeting, which came in between sessions of the Organisation of African Unity *(OAU) summit, could now* pave the way for the long-awaited constitutional conference to discuss the rebels' regional and religious grievances.

Sri Lanka prelate opposes Tamil autonomy

BY MERVYN DE SILVA IN COLOMBO

ONE OF Sri Lanka's highest ranking Buddhist prelates, the Mahanayake of the Malwatte chapter, has expressed his strong opposition to President Junius Jayewardene's offer of provincial autonomy to the minority Tamils, and supported the call by former Premier Mrs Sirimavo Bandaranaike for an early general election.

Of the island's nearly 16m population, the overwhelming majority of Sinhalese (75 per cent) are *Buddhists.*

Traditionally, the Malwatte Chapter has been a firm supporter of President Jayewardene's Conservative United National Party.

In a *memorandum to the* President, the Venerable Sirimalwatte Ananda has said that the Government's devolution scheme will destroy the island's unity.

By adopting this position, the Malwatte Mahanayake has joined the head of the Asgiriya Chapter, the Venerable Palipane Chandananda who was even more critical of the proposals.

He too demanded that the *Government "consult* the people" which implied a referendum of a general election.

The Malwatte and Asgiriya temples are located in Kandy, *the central province capital.* The two "chapters" belong to the Siamese sect. The monks, who are ordained to caste-based sects, join the Siamese sect from Goigama (farmer) caste, which is easily the most populous in this agriculutral society.

While this accounts for the *influence of the higher clergy,* some Sri Lankan scholars argue that Buddhism, a non-violent philosophy, is not a militant force like Christianity or Islam.

"How many divisions have the monks got?" asked a prominent pro-government academic, *pointing* to the difference between the mobilis*ing power of the church in the* Philippines, Poland and Nicaragua, or the mullahs in the Moslem world and a Buddhist clergy preaching pacifism.

But if the monks actively link up with Mrs Bandaranaike and the ultra-nationalist groups which brand the autonomy plan a "sell-out" to the Tamils and India, the Government could be in trouble.

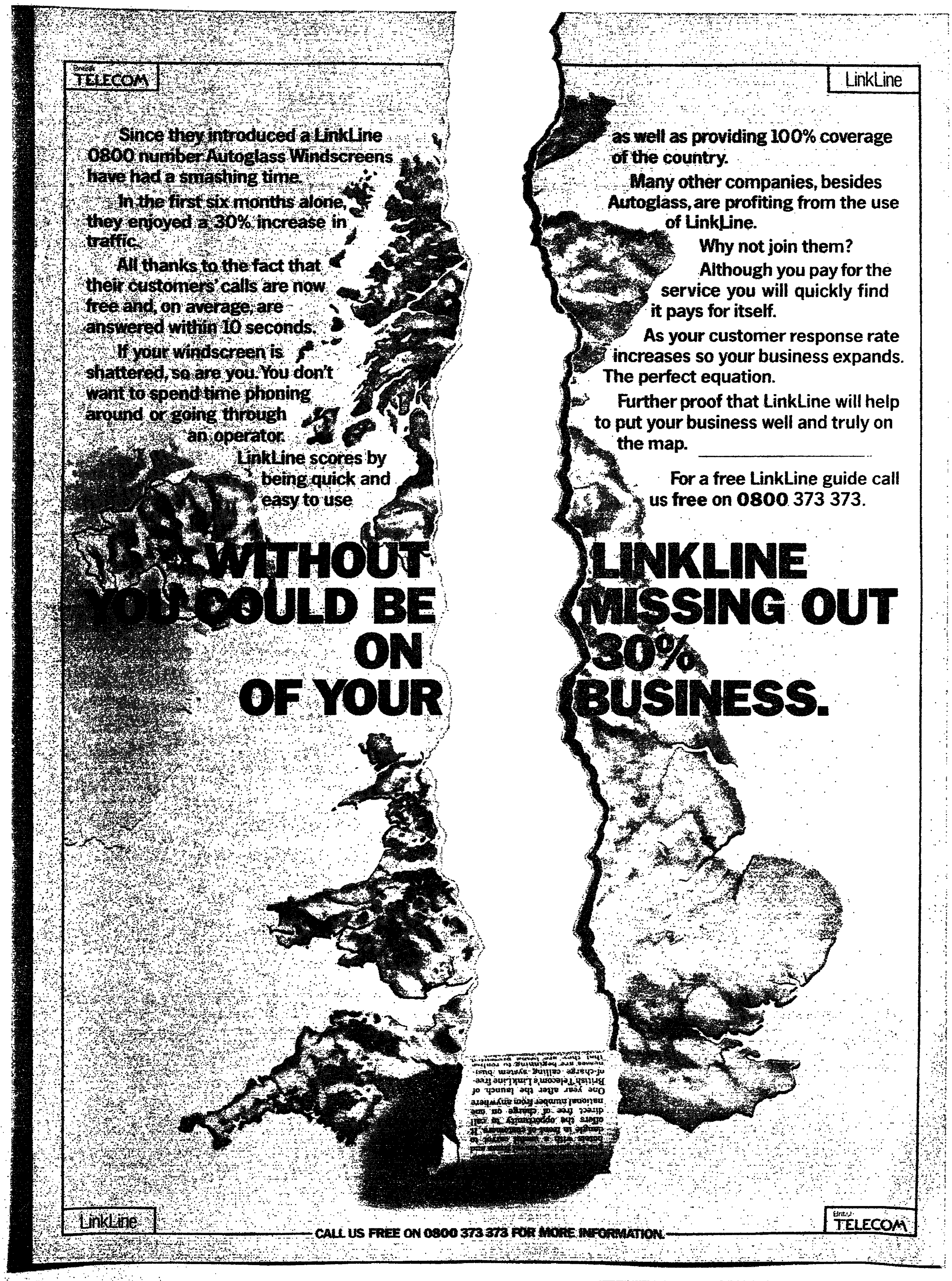
● Tamil separatist guerrillas yesterday attacked policemen guarding Mr K. W. Devanayagam, Sri Lanka's home affairs minister on a tour of Eastern Province, wounding two of them, a military spokesman said.

New oil find for India

INDIA'S first major discovery of oil in the south has been made in the promising Krishna-Godavari Basin and there are signs that the oilfields could be commercial, K. K. Sharma reports. *Until now,* traces have been found only of gas in the tract.

The discovery was announced to parliament yesterday by Mr N. D. Tewari, Minister for Petroleum and Natural Gas, who said that oil had been found in the third exploratory well in the Kaikalur structure 60 km east of Vijayawada in Andhra State.

At present, the well is yielding light oil at the rate of 220 barrels a day.


British TELECOM
LinkLine
Since they introduced a LinkLine 0800 number Autoglass Windscreens have had a smashing time.
In the first six months alone, they enjoyed a 30% increase in traffic.
All thanks to the fact that their customers' calls are now free and, on average, are answered within 10 seconds.
If your windscreen is shattered, so are you. You don't want to spend time phoning around or going through an operator.
LinkLine scores by being quick and easy to use
as well as providing 100% coverage of the country.
Many other companies, besides Autoglass, are profiting from the use of LinkLine.
Why not join them?
Although you pay for the service you will quickly find it pays for itself.
As your customer response rate increases so your business expands. The perfect equation.
Further proof that LinkLine will help to put your business well and truly on the map.
For a free LinkLine guide call us free on 0800 373 373.
WITHOUT LINKLINE
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Peru rules out full arrears settlement

By Barbara Durr in Lima

THE PERUVIAN Government has ruled out a full settlement of its $180m in arrears to the International Monetary Fund and is ready to be declared ineligible.

Mr Gustavo Saberbein, vice-minister of Economy and Finance, and Mr Leonel Figueroa, president of the central bank, said at a press conference on Wednesday night that Peru would only make an unspecified partial payment to the fund on August 15, the deadline set by the IMF board for payment of Peru's arrears.

At the same time, Mr Saberbein, Peru's chief debt negotiator, said Peru was proposing a meeting in the third week of September to discuss new terms for the country's $6bn of medium- and long-term commercial bank debt.

If the IMF were to declare Peru ineligible, this would immediately affect the country's ability to obtain credit from other international institutions such as the World Bank.

Economic analysts in Lima have said that Peru's commercial debt negotiations would be affected by the IMF's decision on eligibility. Although Mr Saberbein and Mr Figueroa did not comment on this issue, they insisted that Peru would not be further hurt by being declared ineligible because they had no intention of asking the IMF for credits.

Brazilians await impact of trade deal

By Ivo Dawnay in Rio de Janeiro

THE diplomatic hullabaloo and acres of press coverage that have greeted the signing of the Brazil-Argentina accords has raised expectations in Brazil that this might at last be the real thing. According to one report it is the 79th rapprochement since the war of 1828.

The climate of genuine enthusiasm, however, is heavily tempered by a collective sense of deja-vu.

The scale and ambition of the proposals has been greeted with some surprise both by the media and the industrial and agricultural community, where the protocols, if fully carried through, should have the most concrete impact.

However, the over-riding first is a wish to see the politicians deliver what they have promised.

Mr Benedito Pires de Almeida, head of the international trade department at Fiesp, the powerful Sao Paulo industrialists' federation, said until more flesh was put on the political bones of the agreement, he preferred to wait and see.

"At the moment the political impact is much the most important element in the accords," he said. "The economic climate is favourable, but everything depends on giving it a legal basis. It is now up to each country's civil servants."

To most Brazilian industrialists, the logic of the deal would have to lie in a trade-off between Brazil's clear advantages in manufactured goods and its need to import Argentinian primary agricultural produce—a prospect that provokes horror in highly protectionist farming circles.

The question uppermost in the mind of Brazilian industrialists is whether the elaborate safeguards envisaged by the accords to prevent serious trade imbalances and a swamping of Argentine industry will render the whole process meaningless.

Certainly, Brazil's industrial advantages — most obviously substantially lower costs — could be compensated for by its pressing need for substantial imports of farm produce. Co-operation deals are also attractive in energy and technology.

After 20 long years of an almost isolationist foreign policy under the military dictatorship, there is genuine excitement in Brazil that Latin America's sleeping giant now seems ready to play an active role on its own doorstep.

Argentina and Brazil set sights on common market

BY TIM COONE IN BUENOS AIRES

THE DUST is settling after this week's Argentinian-Brazilian agreements to lay the basis of a future common market in Latin America, and industrialists in both countries are digesting what has just been thrust upon them by their political leaders.

However, a pertinent question remains hanging in the air: is such a common market feasible where previous attempts have failed?

The 12 protocols signed on Tuesday night are focused primarily on eliminating all tariff and non-tariff barriers to bilateral trade in capital goods.

Mr Pedro Didiuk, one of Argentina's bright technocrats from the Foreign Trade Ministry who negotiated the Brazil accords, says: "The first aim is to reduce capital goods imports from third countries, the second is to balance trade in capital goods between Brazil and Argentina.

"Having laid this foundation, the rest of industry can grow more rapidly allowing a more generalised expansion of trade and allowing an extension of the customs union to other sectors such as consumer durables, non-durables and agricultural produce."

This cautious approach has won the support of Argentina's leading industrialists, normally the first to protest vociferously at the prospect of unbridled competition from outsiders.

"The first reaction here was one of timidity," said Mr Roberto Favelevic, the president of the Union of Argentinian Industrialists, whose first sight of the complete text of the 12 protocols was on the very day they were signed by Presidents Alfonsin and Sarney.

"The Brazilians are more accustomed to change than the Argentinians. They have grown substantially over the past 20 years, while industry in Argentina, for various political and economic reasons, has stagnated.

"However, after the first moments of surprise had passed, there was a recognition that Argentina has to get out of its *isolation and its stagnation and* grow. That necessitates change, and integration with a complementary economy like Brazil is the best way to do it," said Mr Favelevic.

The Brazilian-Argentinian accords essentially set up the political framework for an economic integration plan. The finer details remain to be worked out.

It is left to the industrialists of the two economic giants of South America — the "protagonists of the plan," according to President Sarney—to sit down and thrash out which products are to be included in the common list of capital goods on which no customs duty will be levied in trade between the two countries from January 1 onwards.

Mr Carlos de Koller, of the Argentinian Metal Industries Association—who has to draw up that list on behalf of the Argentinian producers — says the agreements are "very, very positive for Aregntina.

"They open up an enormous market for Argentinian producers and the protocol concerning equilibrium in trade will signify a very significant growth in exports of Argentinian capital goods to Brazil."

However, not all are so happy. Agricultural machinery producers have asked to be left out of the common list, fearing that they will be swamped by their Brazilian counterparts. The cost of steel in Argentina is *much higher than in Brazil,* because production is on a smaller scale, so machinery producers face higher raw material costs with a low added value.

By the end of December, some 200 categories of capital goods are expected to be included in the common list "which will primarily be of machinery for sectors such as the paper, textile and plastics industries," predicts Mr de Koller.

One area where both Argentinian government and private sector circles recognise change is needed is in export and credit incentives—the country's industrialists have appealed for the same support enjoyed by Brazilian producers.

"These differences amount to a 6 per cent difference in interest rates in favour of the Brazilians," says Mr de Koller. "Forty per cent of Argentinian exports do not receive financial support," says Mr Didiuk.

It is still early days to predict whether the Brazilian-Argentinian accords will permit their effective expansion to include other Latin American countries. Uruguay has indicated its willingness to join within the next 90 days and discussions are to be held shortly with Mexico, Colombia and Venezuela.

The bottom line, however, is "the political will to go ahead with economic integration," according to Mr Jorge Romero of Argentina's Foreign Ministry, one of the principal negotiators of the accords.

Politics aside, everything now hinges on the narrower interests of the industrialists in Brazil and Argentina. If both groups are willing to adapt to the prospects of larger markets, but also to the rigour of greater competition, there is reason to believe that a common market in South America may become a reality by the end of the century.

Editorial comment, Page 16

THE 12 PROTOCOLS

1 Creation of a customs union in bilateral trade in capital goods with removal of all trade barriers and promotion of balanced trade.
2 Planned growth in Brazilian wheat purchases from Argentina.
3 Promotion of food security in both countries through increased trade in food products to eliminate seasonal shortages.
4 Promotion of overall trade levels between the two countries, with emphasis on eliminating trade imbalances.
5 Promotion of joint ventures between industrialists of both countries.
6 Financial support from central banks to support adjustments to trade imbalances.
7 Investment fund of $200m (£135m) to be created to expand production.
8 Co-operation in energy development to expand oil and gas production in Argentina and joint electricity generation
9 Promotion of biotechnology.
10 Creation of economic research centres to monitor the integration project.
11 Co-operation in the event of nuclear accidents.
12 Co-operation in aerospace to develop joint export potential.

Steelworkers at USX may launch strike

By Terry Dodsworth in New York

THE US steel industry appeared to be drifting last night towards its first major strike since 1959 as wokers at USX, the former US Steel, prepared for a walkout after seven weeks of bitter negotiations.

Talks on a new wage contract broke down on Tuesday with the two sides still deeply divided over wage and benefit concessions demanded by the company. Both sides said yesterday there had been no movement towards a resumption of negotiations, indicating that the group's 21,200 active workers—another 22,000 are laid off—would go out on strike at midnight.

A dispute at USX, the largest steelmaker in the country, with 16.7m tons of output last year, could have a profound impact on the process of reconstruction which is now going on in the US industry. All of the group's largest competitors have reached agreement on new contracts with the United Steelworkers Union (USW) during the summer, but USX has apparently held out for tougher conditions than the rest.

If the company is successful in achieving these aims, it would place increasing pressure on the other groups to try and cut their own wages still further after the sizeable cuts already agreed.

USX has been adamant that the lower wages it is asking for are vital, and in the last few days, Mr David Roderick, chairman of the group, has insisted that the reductions have become all the more necessary because of the bankruptcy filing of LTV, the second largest manufacturer in the industry.

Manufacturing orders fall 0.3%

NEW ORDERS for manufactured goods in the US fell by $586m (£393m) or 0.3 per cent in Junet o a seasonally adjusted $191.54bn, the Commerce Department said yesterday.

The decrease followed a decline of $1.03bn or 0.5 per cent in May.

Excluding defence capital goods, factory orders rose 1 per cent after falling 3.1 per cent in May.

Meanwhile the Commerce Department said it was delaying until August 1 its June report on US leading economic indicators while it double-checked

Argentina to hold IMF loan talks

BY OUR BUENOS AIRES CORRESPONDENT

ARGENTINA IS to begin negotiations within the next two weeks on a new 15-month standby agreement with the IMF, according to Dr Jose Luis Machinea, Argentina's deputy econom7 minister.

Argentina's last standby agreement of SDr 1.1bn (£880m) with th: IMF ran out at the end of June, after a series of protracted negotiations to release the final tranche of SDr 237m, which the Fund had withheld because of Argentina's failure to meet IMF conditions of the loan.

A waiver was approved by the IMF board in mid-June after Argentina agreed to try to maintain its money supply growth to within 3 per cent a month in the remainder of 1986, the fiscal deficit to no more than 3.5 per cent of GDP and the inflation rate to 28 per cent for the year.

Dr Machinea said the fiscal deficit was on target but admitted that the inflation rate would exceed the 28 per cent limit.

Argentina's requirements in a new standby agreement are expected to be in the region of $1.5bn.


"WHAT'S EVERYBODY SO EXCITED ABOUT?"
"WE MADE IT! WE'RE 'TRINOVA' NOW!"

WORLD TRADE NEWS

Textile pact negotiators struggle to agree terms

BY ANTHONY MORETON IN GENEVA

DELEGATES at the Multi-Fibre Arrangement (MFA) talks have agreed that the accord should be extended for a further five years. But they were still locked in debate yesterday settling the final terms of the agreement.

After an all-night sitting in Geneva which ended at 5 am yesterday, weary delegates agreed that the accord, which governs a large part of world trade in textiles and clothing, should continue after it expired at midnight last night.

The main difference continues to centre on US insistence on including all fibres in the new arrangement. In particular, it wants to include Ramie, a flax-like natural fibre, which the Chinese have been growing in large quantities.

The US claims that these clothes have been entering in increasing numbers and undermining its own cotton-processing industry.

Until yesterday, the Chinese were adamantly opposed to the US suggestion, but its delegates in Geneva were not sufficiently senior to make on-the-spot concessions to the US and had to refer the matter back to Beijing.

"It will take weeks to get a decision out of Beijing," complained one disenchanted delegate. "There are three ministries involved, and each one takes ten days to decide anything."

Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), was insisting that the delegates should meet last night's deadline, though some thought that, if the clock could be stopped, in Brussels style, it would not matter very much so long as a decision was reached by noon today.

Although the US position remains the most difficult to settle, Mr Jean-Pierre Leng, chief textile negotiator for the EEC, which negotiates on behalf of all 12 member states, admitted yesterday morning that the low-cost producer countries were still unhappy with a number of points in the Community's mandate.

In particular, they were concerned at the emphasis placed on the need to give the least developed countries, such as Bangladesh, Haiti, and the Maldives, preferential treatment at the expense of countries such as Hong Kong, South Korea and Macao.

They were also opposed to the principle that all markets—including their own—should be opened up to trade and that there should be action, as the US is also urging, on international property rights to protect copyright in designs and trademarks.

EEC waits for US reply to pasta offer

By Tim Dickson in Brussels

EEC DIPLOMATS in Brussels were anxiously waiting last night for a clear US response to this week's Community offer of a four-month truce in the transatlantic "pasta" war.

The US had threatened to impose higher duties on a range of European goods if negotiations were not successfully concluded by midnight last night.

Behind the dispute lies the US's belief that its citrus exports are being hit by the EEC's extensive network of trade arrangements with Mediterranean countries — a complaint which was backed up last June when the US substantially increased its import duties on Community pasta. The EEC responded by raising its levies on US walnuts and fresh lemons.

Fearful that the two sides were still too far apart for an immediate settlement, Mr Willy de Clercq, the EEC's external trade commissioner, invited Mr Clayton Yeutter, the US Trade Representative, to consider a four month truce during which the retaliatory measures would be dropped.

The US response to the plan so far appears to have been cool, and negotiations have continued in the last couple of days in a bid to reach an immediate compromise. The problems appear to be the insistence that the conclusion of a simultaneous steel dispute between the two blocs should be conditional on the successful outcome of the pasta row plus its reluctance to drop the high duties on pasta without a satisfactory reduction in EEC export subsidies.

At talks in Washington yesterday with representatives of US pasta manufacturers, it was made clear that the Europeans must increase the level of their present offer.

PepsiCo's India plan hits trouble

By K. K. Sharma in New Delhi

PEPSICO has run into trouble with its plans to launch a soft drink plant in collaboration with the leading Indian industrial house of Tata and Punjab Agro Industries, a Punjab government-owned undertaking. The scheme faces stiff opposition from members of parliament and the Indian soft drink industry.

Mr N. D. Tiwari, India's Minister of Industry, has confirmed that plans for the collaboration arrangement, in which PepsiCo will have a 40 per cent stake, are being examined by the Government.

Proposal attacked

The proposal includes manufacture of the Pepsi-Cola concentrate in India. An investment of Rs 215m (£11.7m) is involved and about Rs 70m of hard currency will be used to import equipment for the plant.

Members of parliament have strongly attacked the proposal on the ground that the soft drink industry did not need foreign investment. They argue it should have only low priority in the context of India's development needs.

The proposal has also been bitterly opposed by the three biggest Indian soft drink manufacturers — Parle, Pure Drinks and Medowells. Together they account for about 80 per cent of the Indian market.

At a press conference earlier this week, the chief executives of the three companies claimed that the "unfair competition" from Pepsi-Cola could force the closure of some of their plants and lead directly and indirectly to about 1m job losses.

A decision on the collaboration proposal will be taken in a few weeks. The Indian Government will find it difficult to reject it outright because it is backed by the Punjab Government, which has criticised New Delhi for neglecting industrialisation in the state.

Commitment

The proposal also involves a substantial commitment to export fruit juice and processed foods worth roughly Rs 530m a year. Compared with the amount to be spent on import of equipment and materials, this is a significant figure and cannot easily be ignored.

There is at present no foreign soft drink company in India. In 1978, Coca Cola withdrew from India rather than comply with regulations to Indianise its equity holding and transfer technology to India, since this would have meant disclosing the secret formula of its concentrate.

● The Reserve Bank of India, the country's central bank, slashed by 2.5 percentage points to 9.5 per cent the interest rates commercial banks charge for export credit up to 180 days, writes R. C. Murthy from Bombay.

The interest rate cut is designed to make Indian merchandise exports competitive in world markets. India's short-term interest rate for export has remained at 12 per cent over the past year, while world interest rates have tended to fall.

India has a multiple interest rate structure. The short-term lending rate for domestic borrowers range from 12 per cent to 17.5 per cent. The interest rate for long-term export credit is 8.5 per cent at present.

Top 100 Exporters

The 1985 figures for Plessey given in the Top 100 Exporters Table published on July 29 did not include sales to the company's overseas subsidiaries. The inclusion of these sales, Plessey says, lifts the company's ranking to 56 from 69 and its place in the table last year to 51. The replacement line in the table is: exports 1985, £163.3m, percentage of UK turnover 14.8; exports 1984, £159.9m, percentage of UK turnover 17.6; change percentage 1984-85, 2.2.

European steelmakers prepare dumping actions

STEEL companies in the European Community, currently suffering major production cuts, are preparing anti-dumping dossiers against manufacturers in five countries, **Reuter reports from Brussels.**

An official of the organisation of European steel producers, Eurofer, said yesterday that the dossiers would be presented to the European Community's Commission next month with a request for action against the manufacturers concerned.

The dossier would seek to show that steel products being exported to the Community from Algeria, Yugoslavia, Mexico, Turkey and Venezuela were coming in at well below normal selling prices or were being subsidised by the respective governments.

Community steelmakers believe that unfair competition is aggravating a current shortfall in output in the 12-nation bloc.

Latest Community figures show that output in the first half of 1986 fell 6 per cent from year earlier levels to 64.9m tonnes. The drop in June was a 11.9 per cent.

The Eurofer spokesman said the first dossiers, to be presented to the Commission next week, would concern hot-rolled coils from Algeria, Yugoslavia and Mexico and sheet metal from Mexico.

Subsequent complaints would cover girders from Yugoslavia, Turkey and Venezuela and tinplate from Venezuela.

The spokesman said he could not put a figure on the tonnage of products that would be covered by the complaints.

Japan wins gas carrier contract

A CONSORTIUM of three Japanese shipyards has been awarded the contract for the first three of seven liquefied natural gas, LNG, carriers for the North West Shelf project, North West Shelf Shipping Service said on behalf of International Gas Transportation Co, **writes Reuter from Melbourne.**

The shipyards are Mitsubishi Heavy Industries, Mitsui Engineering and Shipbuilding Co and Kawasak Heavy Industries, the company said in a statement.

The six equal participants in the project's export phase had placed the orders, it said.

North West Shelf Shipping declined to disclose the value of the contract, but Japanese shipbuilding sources recently said in Tokyo that each vessel would be worth about Y30bn (£129m).

The vessel will be delivered in August 1989, September 1990 and September 1991. Each will have a 125,000 cubic metre capacity of the Moss spherical tank design and will be powered by steam turbines with dual fuel oil-fired boilers.

They will be bareboat chartered to the project shipping company, Bermuda-registered International Gas Transportation. Two will be Australian and the third will fly the UK flag.

North West Shelf Shipping officials said contracts for the remaining four vessels would be awarded later, but declined to elaborate.

The last two vessels are scheduled for delivery in 1993, according to Japanese shipbuilding sources.

Four Japanese and two French shipbuilders tendered for the first three vessels.

Participants in the LNG phase are Broken Hill Proprietary, Woodside Petroleum, BP Developments Australia, Shell Development (Australia), California Asiatic Oil and Japan Australia LNG (MiMi).

Yoko Shibata adds from Tokyo: At the time when the Central Shipping Organisation asked for the tenders for the initial order for three vessels last autumn, LNG carrier price was quoted at around Y30bn each with exchange rate at Y240-Y250 to the dollar. However, tough bidding competition and the yen's appreciation by 40 per cent since the autumn brought down the ship price to the level slightly above break-even, according to shipping industry sources.

The Export Import Bank of Japan for the first time decided to provide dollar denominated loans for the ships, for a quote denominated in the US currency. Otherwise Japanese builders have had to bear the brunt of the foreign exchange risks spurred by the strength of the yen.

Oil price fall hits value of rigs

BY FAY GJESTER IN OSLO

The sharply contrasting impact of the oil price collapse on secondhand tanker and drilling rig values emerged in figures just published by the Norwegian Shippers Association.

The decline in crude oil prices has brought about an increased demand for oil but has also resulted in a sharp reduction in exploration.

The association's figures show that the estimated value of a 280,000 deadweight tonne turbine tanker built in 1974, for example, has more than doubled from $4m at end-June 1985 to $10m at end-June 1986.

By contrast, the values of offshore supply vessels and the older types of drilling rigs have almost halved, although the value of third-generation semi-submersible drilling rigs has held up better—falling to $37.5m at the end of June this year, from $52.2m at the same time last year.

All 52 drilling, accommodation and service rigs in the Norwegian-owned fleet were working at the end of 1985 but 17 have since been laid up because of lack of work, with the loss of more than 2,000 jobs. By the end of the year more than half the country's rig fleet could be unemployed.

Twelve units are working on charters due to expire in the autumn, and few of these are likely to find work in the winter months, Mr Magne Reed, managing director of rig owners Dyvi Offshore, says the situation "has never looked blacker."

Rig rates are plummeting; according to Oslo shipbrokers P. F. Bassoe, some units are now being offered at less than $15,000 a day—barely enough to cover operating costs. The prospects for accommodation and service platforms are somewhat better; all 11 Norwegian-owned units of this type are still working.

Bids prepared for fighter work

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AEROSPACE equipment companies are now preparing to bid for contracts to supply items for the forthcoming four-nation Eurofighter aircraft.

The Eurofighter (also known as the European Fighter Aircraft or EFA) is a £10bn plan by the UK, West Germany, Italy and Spain to build up to 800 aircraft between now and the end of the century to replace ageing Phantom, Jaguar and Lockheed L-104 fighters in their air forces. The aircraft will fulfil a wide range of roles, primarily air superiority over the battlefield and ground attack to support land forces.

"Project Definition" of the aircraft, in which all the industrial and cost sharing arrangements as well as preliminary design, are settled, is now near completion. This will enable much work to be started on the next phase, leading to a full development go-ahead at about the middle of next year.

Cost and work sharing on the venture will be 33 per cent each for the UK and West Germany, 21 per cent for Italy and 13 per cent for Spain.

As part of the next step in the programme, the UK Ministry of Defence's Procurement Executive, in conjunction with the defence ministries of the three partner countries, is drawing up systems specifications for the Eurofighter's complex equipment. These are based on information from the industrial company set up to control the project, called Eurofighter Jagdflugzeug, which is based in Munich.

The UK Ministry of Defence said yesterday that the first tenders for equipment for the Eurofighter, including the radar, will be invited this autumn. It will be open to any British, European, US or other companies to bid for the work, either individually or in groups.

It is hoped that the results of the initial competitions will be known early next year, so that work can be started even though the final go-ahead for full development of the Eurofighter is not likely to be given until the middle of next year.

This is because the four governments and air forces involved recognise that some of the equipment will take a long time to develop. To wait until full go-ahead is authorised would be to waste time on a programme that is already operating to a tight timetable.

On current planning, with full development being authorised next summer (when a contract will be signed with Eurofighter Jagdflugzeug), the first of eight proposed prototypes will become airborne at about the end of this decade or early the next. The in-service target date of 1995.

In addition to the equipment, a decision will be taken later this year on an interim engine for the Eurofighter. This will be used while the final engine for the aircraft is being developed.

This interim engine could be either the Turbo-Union RB-199, currently used in the UK-West German-Italian Tornado, or the US General Electric F-404 fighter engine.

The final engine for the Eurofighter will be a new power-plant. It will be developed by a new joint company set up by the aero-engine industries of the four countries, and based on the experimental XG-40 already being demonstrated on the test bed by Rolls-Royce at Bristol.

UK NEWS

Shares of warship yards open at 58% premium

BY RICHARD TOMKINS

INVESTORS WHO supported the employee-led buy-out of VSEL Consortium, the warship builder that was privatised in March, saw the value of their stakes soar by 58 per cent when dealings in the company's shares began on the Stock Exchange yesterday.

The 35m shares, originally offered to subscribers at 100p, opened at 152p and peaked at 160p before easing to close the day at 158p. At that price, they put a value on the company of £55.3m.

The size of the premium took the market by surprise. Although the share price had been perceived as cheap in relation to earnings at 100p, most thought that worries over the state of the shipbuilding industry and the political sensitivity of VSEL's warship building contracts would hold the premium down to about 40p.

Among the beneficiaries of yesterday's closing price will be more than 11,500 workers at VSEL's Vickers yard in Barrow-in-Furness, Cumbria, and its Cammell Laird yard on Merseyside.

Under the consortium's plans for encouraging employee participation in the company's buy-out, most of them bought blocks of 500 shares for £500 using interest-free loans, and were given a further 150 shares free. At yesterday's closing price, the value of that £500 investment had more than doubled to £1,027.

VSEL is the largest warship-building business in the UK, with an annual turnover of over £300m. It is Britain's only builder of submarines and recently won an order to supply the first of four Trident nuclear submarines.

It became a wholly owned subsidiary of the state-owned British Shipbuilders under the last Labour Government in 1977, but the Conservatives announced that it was to be privatised again in 1984. The employee-led consortium which was formed the following year to bid for it won control only after a fierce battle with Trafalgar House, the industrial conglomerate.

Its 11,500 employee shareholders represent about 82 per cent of the workforce. They, and some 5,000 members of the local communities in Barrow and Birkenhead, together own about 27 per cent of the shares, with the balance held by banks and institutions.

Pinchin Denny, the stockjobbers, estimated that about 3m shares changed hands yesterday, most coming from the institutions. The market is now waiting to see how the employees, many of whom are first-time shareholders, will react when they see the greatly enhanced value of their shareholdings.

High Court bans mass picketing at Wapping

MASS picketing outside News International's Wapping printing plant in London's Dockland was banned yesterday by the High Court in a judgment that made clear that the number of pickets must be limited strictly to six and that all picketing must be peaceful, Philip Bassett writes.

But union leaders described the court's injunction as at best a pyrrhic victory for the company, insisting that it would make no practical difference to their actions in prosecuting the Wapping dispute. News International made no comment on the court's decision.

Mr Justice Stuart-Smith said that NI employees and visitors should be able to pass freely on all roads leading to the plant unobstructed by pickets or demonstrators acting in an abusive, insulting, threatening or violent manner. Marches organised by the print unions will be allowed, but only if they end away from the plant and are peaceful.

Failure by the unions to comply with the court's ruling might leave them open to action for contempt of court, carrying with it the risk of fines or sequestration of their funds.

Call for more power stations

BY DAVID FISHLOCK AND MAX WILKINSON

ORDERS FOR perhaps seven or eight new power stations are needed from now until the end of the century, Lord Marshall, chairman of the Central Electricity Generating Board, said yesterday.

He was speaking at a conference to introduce the annual results of the CEGB and the Electricity Council, which is in charge of the whole electricity industry in England and Wales.

The reports showed that the industry recovered sharply last year after the effects of the miners' strike in 1984-85, achieving an operating profit of £944m and net profit after interest payments of £414m.

Improved profits partly reflected increased demand for electricity, which reached a new record after a rise of 5 per cent in 1985-86 compared with the level in the previous year.

Lord Marshall said that, as a result of expected further increases in demand and the expected retirement of some older power stations, including the early Magnox nuclear plant, some 10,000 MW of new capacity would be needed.

New stations were most urgently needed in the south of England, to relieve strain on a transmission system for transferring power from north to south that was now close to full capacity.

The situation had changed since the CEGB first applied to build the Sizewell B PWR, Lord Marshall said. The long delay, and growth in electricity demand meant spare capacity was no longer available. "We need it now", Lord Marshall said.

Executives import work bug

By Hazel Duffy

BRITISH EXECUTIVES have contracted a new disease. It is known as hard work – 16 hours a day, seven days a week – and they have caught it from the Americans, Germans and Japanese.

After years of being secretly admired by their coronary-prone counterparts in other parts of the world for their relaxed lifestyle, it seems that too many executives in Britain now are "over-proud of their long, anti-social and exhausting working hours", says the Institute of Directors (IoD) in the editorial of The Director magazine, published today.

The average executive, it says, can begin the working day at 7.30 am. With late evenings and commuting time, perhaps up to 50 miles from the office, there is hardly time for a night's sleep.

"We hear of people boasting that they never see their families," says Ms Judith Church, health and safety officer of the union, the Association of Scientific, Technical & Managerial Staff.

"Apart from the stresses associated with long hours, a lot of executives suffer stress in takeovers and mergers. It is their wives who bear the brunt, and their employees. Short-tempered and over-tired executives can behave abominably towards their employees."

The IoD also gives a warning of the consequences not only for the executives themselves, but also for those who work for them. The sick executives – which is what they become if they carry on such a punishing routine for too long – start to miss crucial meetings, overload their colleagues with the work that they cannot do themselves and deprive their company of their expertise.

The moral is not just to take an annual summer or winter break, but to leave plenty of room "for fun and enjoyment within the regular workaday routine," says The Director.

But, on the most serious note of all in what is becoming an increasingly serious subject, official figures published this week demonstrated that male professional and managerial workers live longer than their semi and unskilled-worker equivalents, and that between 1972 and 1982 that most privileged gap possible had widened.

Unit-trust advertising to get strict controls

BY CLIVE WOLMAN

INSURANCE and unit-trust companies are to be strictly regulated in the way they project likely investment returns to potential customers.

A policy document on the information to be disclosed to potential customers was published yesterday by the nascent City of London regulatory agency, the Securities and Investments Board, and the Marketing of Investments Board Organising Committee (Sib/Miboc). The detailed rules are to be published in September.

The agency considers that the projection of future benefits from a long-term insurance or unit-trust contract, over 10 to 25 years, is a highly subjective matter because it depends not only on the skill of the investment managers but also on the general economic conditions.

The agency will therefore prescribe two projected rates of return, which will have to be assumed in all illustrations that are provided for customers. The rates will be fixed by reference to market indicators such as the redemption yield of gilts.

Because charges and expenses can vary unpredictably over the longer term, the agency is also to lay down a standard set of charges to be followed by all companies whether their actual charges are more or less.

An illustration must be accompanied by a statement showing the effect of inflation on the purchasing power of £1,000 over the period of the contract. The inflation rate will also be prescribed by the agency.

The restrictions on future illustrations mean that investors will have to rely more on past performance when choosing a suitable company. But some indication of the charges in the first years of an investment contract will be given by the requirement to disclose the likely value of the benefits if the policy is surrendered early, after five years or less. To estimate that, the company will have to use the Sib/Miboc rate of return and its own charges/expenses structure.

The document says the agency has rejected proposals to require companies to disclose information on charges or expenses so that investors can see what proportion of their money is invested. Such information would be difficult or impossible to obtain in a consistent and comprehensible form for the traditional with-profits insurance contracts.

Runner-up is named for National Gallery post

BY ANDREW TAYLOR

MR NEIL MacGregor, 40-year-old editor of the fine-arts journal, the Burlington Magazine, has been appointed director of the National Gallery in London, after the original choice, a director of a US art museum, rejected the post.

Mr Ted Pillsbury, director of the Kimbell Art Museum in Fort Worth, Texas, had been chosen to head the gallery by the interview panel, which included Mr Jacob Rothschild, chairman of the National Gallery trustees.

Mr Pillsbury decided not to accept the post, which has now gone to the second choice. Mr MacGregor is a former lecturer in the history of art and architecture at the University of Reading. The gallery yesterday gave no reason for Mr Pillsbury's rejection.

Mr Rothschild said the gallery was delighted that Mr MacGregor, editor of the Burlington Magazine since 1981, had accepted the post.

He said the interview panel had, in effect, made two first choices: Mr MacGregor and Mr Pillsbury. It had been a close choice between the two men but Mr Pillsbury had originally shaded the decision because of his greater experience.

Mr MacGregor, who succeeds Sir Michael Levey, has been appointed director of the National Gallery for seven years starting in early 1987. His lack of experience of working for one of the world's largest art galleries drew criticism even before the appointment was confirmed. Critics say previous experience of working for a large gallery involved in purchasing important works of art is essential for the post.

□ **NEW POWERS** to stamp out international child kidnapping and to secure the return of children abducted to or from the UK were announced by Lord Hailsham, the Lord Chancellor. From today, reciprocal arrangements for the return of abducted children will come into force between the UK and Austria, Belgium, Canada, Cyprus, France, Hungary, Luxembourg, Portugal, Spain and Switzerland.

□ **BRITISH WATERWAYS** Board, which controls more than 2,000 miles of rivers and canals, announced a profit of £218,000 for the 12 months to March 31. Last year the board lost £300,000 for a 15-month period to March, 1985, including an estimated £500,000 in lost revenue attributed to the miners' strike.

□ **MORE THAN** £120m was realised from the sale and letting of railway property in the year to March 31, said the British Rail Property Board, and the board's major sales programme has now produced more than £420m gross for BR since 1980.

□ **THE DECLINE** in exports of Scotch whisky may have halted, according to figures published by the Scotch Whisky Association. Exports in the first half of 1986 totalled 107,495,378 litres of pure alcohol, an increase of 2 per cent on the same period last year.

□ **MR GERRY GRIMSTONE**, who is leaving the Treasury, where he has been responsible for co-ordinating the Government's privatisation and nationalised-industry policy, has been appointed a director in the corporate finance division of J. Henry Schroder Wagg.

□ **PATÉ** and convenience foods are overtaking traditional British fare, says a survey on the 1985 meat and meat-products market. The trend towards healthy eating and convenience continued with low-fat and ready-made foods promising to show the best growth in 1986.

□ **OVERSEAS** earnings by the City of London – including financial institutions outside London – rose last year by 13 per cent to more than £7bn, nearly two thirds of the country's invisible earnings. Insurance companies led the way.

□ **A RADICAL** plan to restructure the pay and work of 19,000 prison officers in England and Wales was announced by the Home Office. It proposes to end all overtime in prisons. On average prison officers works 16 hours overtime a week, worth between £4,000 and £5,000 a year, about 30 per cent of their pay.

□ **HOTEL ROOMS** will be very scarce in London within 10 years and action needs to be taken if foreign tourists are still to be attracted to Britain, according to the annual hotel-industry report of Horwath and Horwarth.

□ **RETAILERS** in London's Oxford Street are expected to be given the go-ahead for plans to reduce the amount of traffic in the area and to extend shopping hours during the week.

Wingsail runs into cash doldrums

FINANCIAL TIMES REPORTER

THE COMPANY that built Britain's first wingsail for merchant ships has failed. Ironically, it happened on the day of the announcement that the invention had passed its initial sea trials with flying colours.

Mr John Walker, 48, managing director of Walker Wingsail, yesterday laid off his 15 workers, most of them shareholders in the company. "We have run out of money – it's as simple as that," he said at his factory at Hamble, on Southampton Water, on the south coast of England. Many of the workers said that they were prepared to work on without pay.

Mr Walker and his wife, Jean, a fellow director, have been developing the wingsail project for the past 20 years.

Two years ago Mrs Walker went on a hunger strike to prevent the company from being taken over. Private investors later raised £350,000 to save the company.

Their invention is a 45 ft high aluminium wingsail – like four aeroplane wings standing vertically – which provides thrust. The prototype model was installed aboard the 9,000-tonne bulk carrier Ashington and sailed sea trials on June 13.

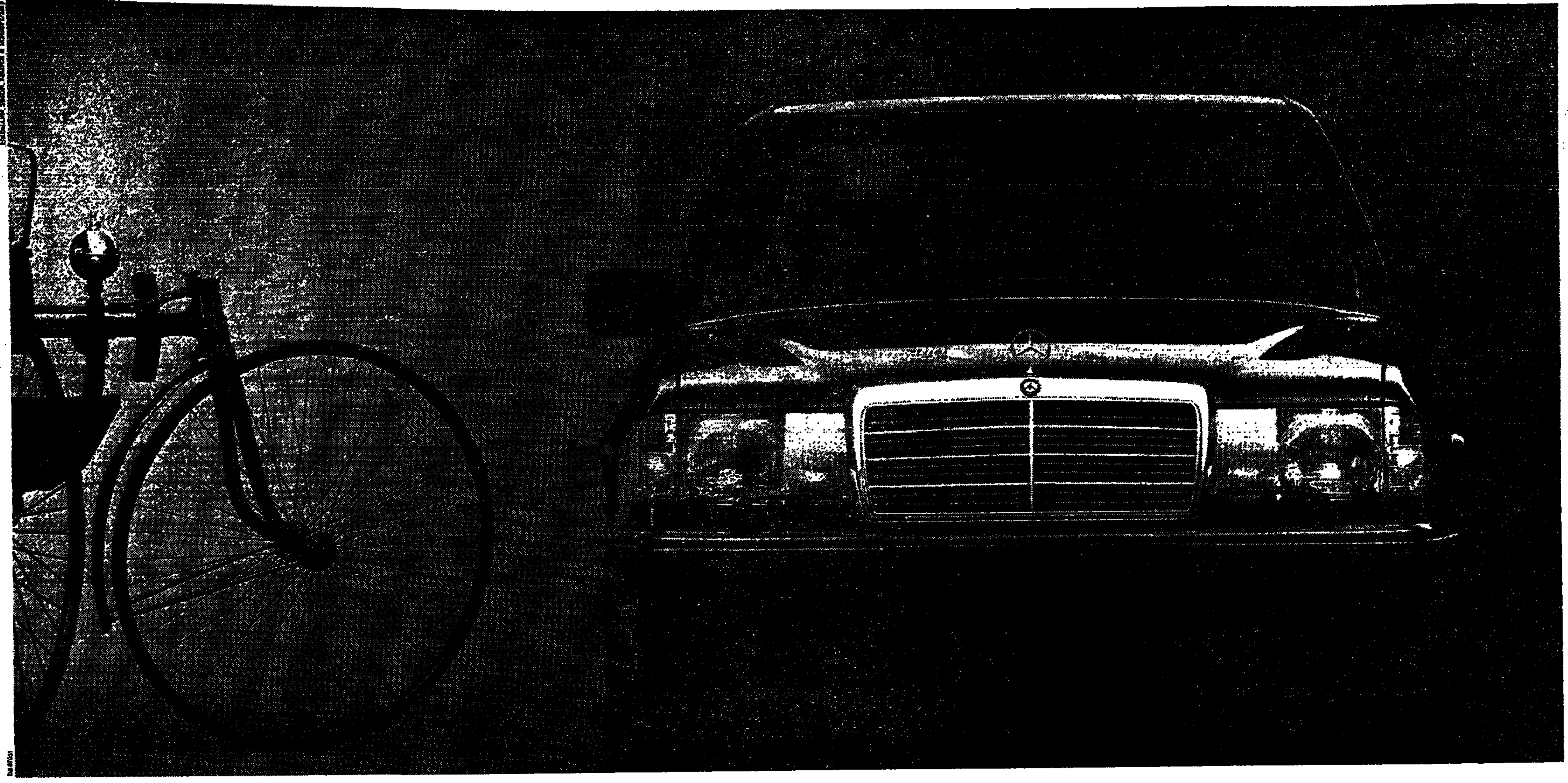
Today, Mr Peter Bonney, project officer for the Ashington's owners – Stephenson Clarke of London – announced that the wingsail thruster had proved itself after six weeks' intensive tests between England and continental European ports. "It really does work – and even though we have only had light winds, we have achieved a fuel saving of 10 per cent," he said.

"We have also discovered a secondary benefit which we had not anticipated – the thruster has saved us tug fees because the master has been able to berth the ships by using it to manoeuvre."

Mr Bonney said that the 10 per cent fuel saving was up to expectations, but it would be even more attractive if oil prices had not slumped.

That is the factor that has caused the failure of the company. An attempt to raise £1.8m by public subscription produced only £400,000 – and that money has now been sent back to the investors. "We have not called in the receivers yet. We owe about £310,000 but are asking our creditors for a three months' freeze to enable us to try to salvage something," Mr Walker said.

"Technology is immortal and eventually most ships will have wing thrusters. The trouble is that I'm mortal and I don't want posthumous success."



Accounts of a Century.

For Daimler-Benz, 1985 was a year of gratifying results and important decisions for the future of the company.

Just the sort of success one likes to see in a centenary year.

Gottlieb Daimler and Karl Benz, our founding fathers who gave their names to our company and the motor vehicle to the world, would have approved wholeheartedly.

However, this success didn't just happen.

It is the result of years of hard work.

Last year was an exceptionally good one for our cars, with very high demand. In the commercial vehicle markets we were able to improve our position and initiate an upward trend again.

New Corporate Dimensions.

A century of experience in the automotive industry provides a sound basis on which to face new challenges.

The acquisition of all shares of Motoren- und Turbinen-Union (MTU) and of majority shareholdings in Dornier and AEG, has given the company access to additional high-technology fields of activity and thus to markets with great growth potential.

While we will continue to concentrate on the development, production and sale of high-quality automobiles, the focus of our interest will also be in the areas of aerospace and electronics, including information, communication and automation technologies – with a vast potential of synergistic effects.

New Growth Potential in High-Tech.

This "qualitative move" into new areas of technology has the aim of opening up new, long-term perspectives for our company and of safeguarding its future.

In the long term, we consider the creative integration of different technologies as an opportunity for technical progress, economic growth and thus the creation of new jobs.

We are confident that this is the way to strengthen our position in the markets of the world and to make this new chapter of our history just as successful as the first.

DAIMLER-BENZ-GROUP

	1985	Change in %
Sales (in millions of DM)	52,409	+ 20.5
Domestic	18,709	+ 27.4
Foreign	33,700	+ 16.9
Cars	27,469	+ 18.2
Commercial Vehicles	19,582	+ 6.6
Added Group Activities	3,204	+ •
Others	2,154	+ 13.8
Car Production (units)	541,039	+ 13.1
Commercial Vehicle Production (units)	220,213	+ 4.4
Number of Employees (at year end)	231,077	+ 15.6
Domestic	186,652	+ 18.1
Foreign	44,425	+ 6.2
Personnel Expenses (in millions of DM)	13,657	+ 17.8
Fixed and Financial Assets	10,209	+ 24.1
Investments	5,643	+ 57.1
Depreciation Expenses	3,275	+ 15.8
Cash	11,613	+ 21.6
Stockholder's Equity	9,769	+ 14.5
Basic Share Capital	1,699	± 0
Taxes on Income and on Net Assets	4,341	+ 43.4
Net Income	1,682	+ 52.4

UK NEWS

Ian Hamilton Fazey reports on the clash of style and culture that has caused an MP to reopen wounds inflicted by the extremist issue

Few Merseyside tears as Labour resignation delights Tories

FEW TEARS will be shed in the Merseyside constituency of Knowsley North over the decision of Mr Robert Kilroy-Silk, its Labour MP, to resign in the autumn and become a television presenter.

Indeed, annoyance was evident there yesterday among people who wanted to support him when his fight for reselection – temporarily suspended late last year – resumed.

But although that suspension arose because supporters of Militant, the Marxist faction outlawed by the Labour Party, had apparently manipulated the rulebook to improve the chances of Mr Tony Mulhearn, their candidate, no one believes Mr Kilroy-Silk's assertions that Militant has, in effect, driven him out.

For Mr Mulhearn, president of the disbanded Liverpool District Labour Party, has now been expelled from the party and the politicking of his supporters has been confounded. Mr Kilroy-Silk would have had to fight for his job as an MP on much less clear-cut grounds than left versus right.

Because the seat is so rock-solid Labour, its MP has a job for life if *he or she can survive* reselection. There are strong doubts about whether Mr Kilroy-Silk could have won even if Militant had never tried to stand against him. A clash of style and culture, coupled with a politically *suicidal* personal decision, lie at the heart of the conflict.

Knowsley North is archetypal *working-class Merseyside*, not least because, in many parts of it, 33 per cent of the voting population is not working at all. Long-term unemployment is prevalent.

The housing is nearly all owned by the local council and has created such difficulties that the borough has been given special status by the European Community and the Government to qualify it for inner-city urban aid – although it is eight miles from Liverpool and in the Green Belt.

Central to the constituency is Kirkby, *the vast housing estate into* which tens of thousands of Liverpudlians were decanted forcibly in the 1950s and 60s. Here is where, with black Merseyside humour, the tragedy of life is played as a comedy, with Kirkby seen locally as Liverpool's colonial problem. This was the setting for the BBC police series, Z-Cars, which ran through the 1960s and 70s.

Sport, particularly football, cycling or boxing – where it is easiest for talented amateurs to turn professional – has provided the only escape *for many. Such a motivation* drove one man, John Conteh, to the light-heavyweight championship of the world, and another, Phil Thompson, to the captaincy of Liverpool FC.

Mr Kilroy-Silk's middle-class life style and outlook did not fit with such people. He was born in Birmingham and found his way to Merseyside via a lectureship at Liverpool University. He lived near the sea in the pleasant dormitory town of Formby and got into parliament as the MP for the then marginal *seat of Ormskirk in 1974.*

Kirkby was the key to winning Ormskirk, whose first MP after the war was future Prime Minister Mr Harold Wilson. When boundary changes put Kirkby into neighbouring Huyton, Mr Wilson went with it. When it went back into Ormskirk, Mr Wilson's new base was strong enough to do without it.

But when the totally safe Labour seat of Knowsley North was created out of Kirkby and its environs in the last round of boundary changes, there was doubt whether Mr Kil*roy-Silk would be allowed by the* party there to be its candidate.

Many wanted someone closer to the working class – not necessarily very far to the left but certainly not an intellectual who wrote books and who was an expert on criminology.

The rulebook saved Mr Kilroy-Silk – the boundary change was within two years of a general election and he was able to prove that just over half of his old constituency would be in Knowsley North. Under Labour Party rules, that enabled him to claim the seat without *challenge. Furious constituency of*ficials were left impotent, vowing revenge.

He has been fighting for reselection ever since but lost the support of many in the middle ground of Labour politics when he decided to move house from Formby to Buckinghamshire. The political insensitivity of that was accentuated by his aggressive defence of his right to live anywhere.

Who will succeed him will show how Merseyside is aligning itself in the wake of the Militant expulsions. The main bulk of Knowsley North is probably of the "soft left" of the Labour Party. The "hard" left would almost certainly like to field Mr Les Huckfield, a close ally of Mr Tony Benn, but could do so under party rules only if he resigned his seat as Euro-MP for Merseyside East. A local left-wing councillor, Mr David Kerr, is another possible option.

A few weeks ago his main opponent would almost certainly have been Mr Kevin Coombes, former leader of Merseyside County Council, but he has just been adopted as prospective candidate for the Labour marginal of Hyndburn in deep Lancashire.

In the jockeying for nominations, therefore, the prospects of the council leader, Mr Jim Lloyd, cannot be ignored, although he is despised by one section of the party – known as "the Catholic Mafia" – for not tak*ing the hard left head-on by dis*missing Mr Derek Hatton, the Militant deputy leader of Liverpool City Council, from his job with Knowsley Borough.

If the hard left and Militant are as strong as Mr Kilroy-Silk implies by his resignation, Mr Lloyd will have no chance, however. Only one thing is certain – a Labour victory in the by-election. The real election will take place at the selection meeting for the Labour candidate.

AT WESTMINSTER, the decision by Mr Kilroy-Silk (left) to resign is being greeted with something close to open delight by Conservative MPs, who see his departure and the resulting by-election as a heaven-sent opportunity to reopen the wounds inflicted upon Labour by the extremist issue, Michael Cassell writes.

The feeling among Labour MPs, however, is hardly mutual. Despite his long-standing commitment to the Labour Party, Mr Kilroy-Silk's smooth style and sometimes dismissive manner has not made him a universally popular figure among colleagues at Westminster. The damage he now threatens to inflict on the party is unlikely to improve his personal standing. Labour leaders now face an enormous exercise in damage limitation, trying to ensure a smooth reselection process and a convincing by-election victory.

Mr Kilroy-Silk's announcement marks the end of a parliamentary career that began promisingly in 1974 when he won Ormskirk for Labour. He wasted little time in making known his ambitions, announcing that he eventually intended to become Labour Prime Minister.

In 1983 he won the Knowsley North seat in a four-cornered fight, notching up a 17,191 majority against his nearest opponent, the Conservative candidate.

After the 1983 election he was given the job as an opposition front-bench spokesman on home affairs

But his running battle with members of Militant in a bitter reselection process forced him to step down from the post two years ago. A man who had once been widely regarded as a politician with a bright future found himself diverted from the challenge by continuing difficulties in Knowsley.

There were some suggestions among several clearly annoyed Labour colleagues at Westminster yesterday that Mr Kilroy-Silk had first chosen for himself a lucrative new career in television and had then decided to shroud his departure in accusations that Militant had made it impossible for him to continue in the job.

The claims were strenuously denied by the MP, who said that he had made up his mind to resign before the job on a BBC current affairs discussion programme was offered. Three years of open warfare with Militant extremists had, he said, proved too much.

The writ for a by-election cannot be moved until the next parliamentary session begins, making an October or November by-election most likely. By then, the resigning MP will have published "Hard Labour," a book giving his own account of his time as the MP for Knowsley. Its contents are unlikely to do anything to help improve Labour's image.

Mr Neil Kinnock, the Labour leader, described Mr Kilroy-Silk's complaint about Militant as "rubbish." The idea that his decision to resign was a response to pressure from extremists could not be sustained, he said.

"All I can conclude is he has made his own career decisions by himself, for himself."

Mr Jack Straw, Labour MP for Blackburn, said he and his colleagues were "nauseated" by Mr Kilroy-Silk's resignation statements. Mr Straw said: "It's one thing to kick your enemies in the teeth – it's quite another to do that to your friends."

Liverpool councillors lose court fight

BY IAN HAMILTON FAZEY

LIVERPOOL LABOUR councillors yesterday pledged to fight on after surcharge and disqualification orders imposed on them for their failure to set a rate (local property tax) last year were upheld by the Appeal Court in London. "The pursuit of their political objective was not a valid excuse for not performing their statutory duty," Lord Justice Lawton said.

The court dismissed appeals by 47 Labour councillors, including Mr John Hamilton, council leader, and Mr Derek Hatton, deputy leader and supporter of Militant Tendency, against a High Court ruling in March upholding surcharges of £106,103 and orders banning them *from office for five years.*

The councillors had already decided that if the decision of the Court of Appeal went against them they would go to the House of Lords, appealing against a refusal *for leave to do so if necessary.* They are confident of being able to find the money to pay their legal costs, believed to amount to at least twice the surcharges figure.

The councillors had argued that the district auditor wrongly failed to allow them an oral hearing, and that their delay in fixing a rate was perfectly legitimate.

They said the delay was part of an overall strategy to minimise the burdens on Liverpool's population and to maximise resources available to finance services. Lord Justice Lawton said that any unfairness caused by the absence of oral hearings had been fully cured by the original appeal proceedings in the High Court.

Lord Justice Dillon agreed, and said all 47 councillors had chosen to stand together and were all guilty of wilful misconduct.

The Government had "again and again and again" made its position clear that there would be *no* extra money available for Liverpool for 1985-86. A rate yields much of the cash from which a local authority provides local services such as transport and education.

The practical implications of appealing are that, with the summer recess now beginning, nothing is likely to be heard for weeks. The councillors certainly expect to be still in office and controlling Liverpool *until October at least, and are* planning accordingly.

Given the time needed for argument and deliberation, it now seems unlikely that they could be disqualified much before November *if the final appeal* went against them. By-elections would then have to be held within 42 days, which would probably mean that they would take place in early December.

The depth of both hostility and political division that exists between even the non-Militant Labour councillors and the party leadership was evident at Wednesday's meeting of the city council. Mr Tony Byrne, finance committee chairman, said at one point: "When people say that Kinnock is trying to put distance between himself and us, we are very pleased. As far as I am concerned, the greater the distance, the better."

THE PROPERTY MARKET BY WILLIAM COCHRANE

Funding paradox in office development

OFFICE property, in the past year or so, has been performing in every department except investment value. Yields have moved out, reflecting fears about obsolescence in buildings "thrown up" in the 1970s. Prime yields may soften further; but this could be precisely the right time to buy.

Richard Ellis float this argument in their annual investment review for 1986, published today.

Partner Stephen Hubbard says that, in the letting market, in the south east and as far west as Bristol, Ellis have seen a 20 per cent growth in enquiries every quarter in the past 12 months. "Supply has been soaked up," he says.

In Reading, noted "hot-spot" on the M4 motorway, office rents are showing the results of the supply shortage at over £15 a sq ft, up from £13 over 12 months and £11.50 two years ago. "We're refurbishing a building there," says Mr Hubbard, "and we're actually letting floors off-plan."

But the investment market is another matter. A year ago the prime office yield was about 5 per cent but it is now extremely difficult, says Mr Hubbard, to sell an investment on a 5½ per cent basis. "Six per cent," he says, "is safer," while his partner Michael Wheldon observes that five-year old buildings have moved out considerably more than one percentage point.

"The funding market has collapsed completely, even in Reading," says Mr Wheldon, "and that has put great pressure on site values." In a development, site values are a residual — what is left after projected costs are subtracted from prospective investment value — and fluctuate accordingly; Ellis have seen one site for 45,000 sq ft of offices fall from £3m to £1.8m.

However, the firm say that insurance companies and pension funds, particularly the latter, are beginning to move. They are seeing, says Mr Hubbard, that the market is over-discounting some very attractive buildings and moving for the best space.

Mr Wheldon emphasises the "best" qualification, saying that a seven- or eight-year-old, decent, brick-built office building in a North London suburb—"not obviously at risk of obsolescence"—will still be consigned to 9½ per cent "at best."

Ellis say that the buoyancy of the City and West End of London markets will continue.

Ever bold, the firm forecasts total returns on investment in 1987 of: over 20 per cent for retail; 15 per cent plus for industrial; 12 to 20 per cent for high tech; and above 10 per cent for offices, which goes to show that feelings count for more than statistics in this market.

Major lettings in Dusseldorf

AENGEVELT-Immobilien KG, Hillier Parker's West German associate, has completed two major office lettings in the centre of Dusseldorf to underline the message of its annual report, which talks about keen demand for international companies for prime space in the city centre.

Team-BBDO, the advertising agency, has taken 6,000 sq m (65,000 sq ft) on five floors at Konigsallee 92 and Bahnstrasse 2 from Victoria Insurance at over DM 20 per sq m per month (£6.90 per sq ft per annum).

Meanwhile, the department store group, Kaufhof, has let some 5,000 sq m (54,000 sq ft) on the sixth and seventh floors of Konigsallee 1 to Peat Marwick, Boston Consulting and Axel Springer at rents in excess of DM 20 per sq m per month.

Aengevelt says that these lettings clearly demonstrate the healthy demand for large floors in the city. Victoria's building has floors of 1,400 sq m (15,000 sq ft) each, while Kaufhof's is even bigger at 2,500 sq m (27,000 sq ft).

There is, however, limited potential for new developments in the centre of Dusseldorf, they say. Prospective tenants are being forced to the city fringes, especially if they require large open plan space.

Retail wave

THE WAVE of retail planning applications continued this week as the Standard Life Assurance Company went for outline planning permission to develop a 400,000 sq ft covered shopping centre at Highlands Road, Monkspath, Solihull in the West Midlands.

Meanwhile, in Exeter, local company EBC Developments joined the queue of potential developers, proposing a £50m, "international style," multi-level galleria to be called "Centre City" on the five acre bus station site. EBC also hope to provide a new regional retail park, "Centre West," at nearby Sowton.

At Cardiff, the property arm of Guardian Royal Exchange says it has the backing of Cardiff City Council for a revised £23m retail and office scheme in Queenstreet.

● Five Oaks Investments has acquired the freehold in Pountney Hill House, 6 Laurence Pountney Hill off Cannon Street in the City of London from Richard Ellis, acting on behalf of the receivers for Miller Buckley Developments, for a figure slightly in excess of £8m.

● Bride Hall and PosTel have received formal approval from Bracknell District Council to develop a 650,000 sq ft business park on 37 acres in the centre of the town's commercial area.

● Knight Frank & Rutley, acting for Country & New Town, say that in conjunction with Harrison & Coate they have made three key lettings in the Civil Service Store redevelopment scheme in the Strand in central London.

Dixons has taken space which will give it 5,270 sq ft of sales area fronting the Strand; Whitbread will operate a 250-seat restaurant in the rear; and Rank Xerox is taking a shop and basement in Bedford Street providing a total of 2,400 sq ft.

The rent for these new lettings is £460,000 per annum, bringing the total rent roll from the site up to £1.7m, says Mr G. M. Newton, chairman of Country & New Town. The First Interstate Bank of California has already taken up virtually all of the available office space.

● Raglan Property Trust, advised by Conway Relf Stanton, has forward funded its 10,700 sq ft office scheme at 107 St Peter's Street, St Albans, to reflect a minimum yield of 6.15 per cent.

Hill Samuel Life Assurance has acquired the Grade II listed building which will have a completed investment value in excess of £2m.

● Colin Vaughan, partner in Debenham Tewson and Chinnocks and the RICS spokesman on unitisation, said this week that he thought it possible that the new market would be established by late 1987. He was commenting on the government's acceptance, in principle, of the case for unitisation announced in the House of Lords on Monday.

AUSTRALIA

New guidelines for investment

MONDAY of this week saw the announcement of new foreign investment guidelines by the Australian Federal Treasurer, Mr Paul Keating. The new guidelines are addressed mainly to prospective investors in the Australian property market.

Under existing policies, foreigners' acquisition of real estate worth at least A$10m (£4.1m) has been acceptable only if they have 50 per cent Australian equity and only after a thorough review of the acquisition's merits by the country's Foreign Investment Review Board.

From Monday, the 50 per cent local participation requirement no longer applies and the FIRB review is expected to be a mere formality.

The Australian property market has reacted positively to the easing of the guidelines, according to Mr Bob Salisbury, chief executive of Baillieu Knight Frank (Australia), part of the KFR group.

"Both Australian and foreign investors, and real estate intermediaries have lobbied hard to have restrictions removed," he said from his Sydney office this week.

He sees the abolition of the Australian equity participation rule impacting both on developments and on the built investment market, where foreign investors will now be able to acquire a 50 per cent interest in existing prime investments.

His view is that the restrictions actually attracted the sort of foreign developer who would build to sell rather than to hold, and who would generally use overseas borrowings to finance projects.

Now, he thinks, the long term investor will be encouraged to buy, hold and introduce a substantial element of equity capital from overseas into Australian investments.

Mr Salisbury offers some local advice. "While there may be a tendency for foreign investors to prefer 100 per cent ownership of existing investment acquisitions," he says, "joint venture relationships are common among Australian superannuation funds and we believe that the off-shore investor can derive greater peace of mind from knowing that an established Australian investor is close to the property."

"We do not believe that the current bout of $A instability will unduly concern the genuine investor who tends to take a long term view," he maintains. "Our opinion is that the current low value of the $A acts to make Australian real estate inexpensive . . . and that this fact will not be overlooked by the international investment community."

Rod Samut, a partner of Hillier Parker based in Brisbane, concurs. He said this week that high yields, favourable exchange rates and the relaxation of the FIRB guidelines would heighten foreign interest in Australian real estate.

"The Australian property market could now benefit from a substantial boost," he reckoned. "Exciting opportunities exist for UK and Japanese investors, in particular, to acquire and maximise the potential of existing property portfolios."

He sees the foreign investor as potentially active in prime office, industrial and shopping centre investments, where prime yields in Brisbane range from 7 to 9 per cent: and says that excellent scope also arises for the entrepreneurial developer to take advantage of attractive development yields.

● While all this was going on, Costain Australia, in which Costain of the UK has a 66.7 per cent interest, said that it had entered into a joint venture agreement with Japan's largest construction company, Kajima Corporation, for the first stage of Costain's $A300m Melbourne Riverside Quay Development.

Kajima will acquire a 50 per cent interest in the A$65m first stage, which includes two office buildings together with a multi-storey car park.

Riverside Quay is located on the south bank of the Yarra River opposite Melbourne's central business district and involves the development of commercial and residential areas.

Company Notices

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION p.l.c.

5¼% DEBENTURE STOCK 1986-88

NOTICE IS HEREBY GIVEN that the REGISTERS of the CORPORATION'S above mentioned DEBENTURE STOCK will be CLOSED for TRANSFER and REGISTRATION from 15th to 29th August 1986, both days inclusive.

By Order of the Board
W. J. ALEXANDER,
Assistant Secretary.

48 Palmerston Place,
Edinburgh EH12 5BR.
1st August 1986.

GEOFUND LIQUID ASSETS
DISTRIBUTION NOTICE

NOTICE IS HEREBY GIVEN that for the period from 1st January 1986 to 30th June 1986 a Distribution of US$3.82 per Income Share is payable from 8th August 1986 against presentation of coupon number 10 at the undermentioned office at which the published Report and Accounts are available.

Holders of Accumulation Shares are hereby notified that their interest in the Trust Fund will be increased in respect of each Share held at 30th June 1986 to 1.5810363 Undivided Shares.

Manufacturers Hanover Bank (Guernsey) Limited,
Manufacturers Hanover House,
St. Peter Port,
Guernsey,
Channel Islands.

MANUFACTURERS HANOVER ASSET MANAGEMENT LIMITED

Company Notices

NOTICE OF REDEMPTION MAFINA B.V. US$40,000,000 8% BEARER COUPON GUARANTEED BONDS DUE 1987

NOTICE IS HEREBY GIVEN, that pursuant to the Terms and Conditions of the Bonds US$8,000,000 principal amount of said Bonds have been drawn for redemption in the presence of a Notary public on 21st July 1986 by Hill Samuel & Company Limited.

The serial numbers of Notes drawn in lots of ten consecutively numbered are as follows:–

0001-0010	2381-2390	3841-3850	5041-5050	6801-6810
0251-0260	2391-2400	3871-3880	5081-5090	6841-6850
0281-0290	2451-2460	3881-3890	5101-5110	6861-6870
0411-0420	2491-2500	3951-3960	5121-5130	6901-6910
0501-0510	2531-2540	4001-4010	5151-5160	7011-7020
0531-0540	2621-2630	4031-4040	5191-5200	7031-7040
0691-0700	2671-2680	4051-4060	5231-5240	7051-7060
0811-0820	2831-2840	4091-4100	5251-5260	7061-7070
0881-0890	2911-2920	4121-4130	5271-5280	7091-7100
0951-0960	2941-2950	4141-4150	5301-5310	7121-7130
1001-1010	3011-3020	4201-4210	5331-5340	7131-7140
1051-1060	3051-3060	4251-4260	5371-5380	7141-7150
1131-1140	3071-3080	4291-4300	5401-5410	7211-7220
1241-1250	3111-3120	4321-4330	5451-5460	7231-7240
1291-1300	3161-3170	4371-4380	5501-5510	7341-7350
1381-1390	3201-3210	4421-4430	5561-5570	7441-7450
1401-1410	3221-3230	4481-4490	5571-5580	7491-7500
1461-1470	3241-3250	4541-4550	5721-5730	7521-7530
1681-1690	3271-3280	4561-4570	5801-5810	7601-7610
1701-1710	3331-3340	4621-4630	5951-5960	7631-7640
1751-1760	3391-3400	4661-4670	5981-5990	7671-7680
1781-1790	3411-3420	4701-4710	6011-6020	7721-7730
1801-1810	3441-3450	4751-4760	6041-6050	7771-7780
1831-1840	3461-3470	4771-4780	6171-6180	7801-7810
1841-1850	3501-3510	4801-4810	6201-6210	7841-7850
1871-1880	3531-3540	4861-4870	6281-6290	7861-7870
1951-1960	3581-3590	4901-4910	6361-6370	7901-7910
2021-2030	3651-3660	4941-4950	6381-6390	7911-7920
2111-2120	3681-3690	4951-4960	6391-6400	7941-7950
2161-2170	3711-3720	4991-5000	6511-6520	7961-7970
2271-2280	3731-3740	5011-5020	6561-6570	7971-7980
2311-2320	3791-3800	5031-5040	6661-6670	7991-8000

The Bonds redeemed will be paid at the principal amount thereof, together with accrued interest to 1st September 1986. On and after 1st September 1986 interest shall cease to accrue on the Bonds drawn for redemption.

Outstanding Drawn Bond:—0987

1st August 1986

NOTICE OF REDEMPTION ARDAL og SUNNDAL VERK a.s. US$1,500,000 8½% NOTES DUE 1992

NOTICE IS HEREBY GIVEN, that pursuant to the Terms and Conditions of the Notes US$1,500,000 principal amount of said Notes have been drawn for redemption in the presence of a Notary Public on 21st July 1986 by Hill Samuel & Company Limited.

The serial numbers of Notes drawn in lots of ten consecutively numbered are as follows:—

0031-0040	0691-0700	1921-1930	2211-2220	2821-2830
0251-0260	0851-0860	1981-1990	2261-2270	2841-2850
0311-0320	0931-0940	2051-2060	2311-2320	2881-2890
0471-0480	1001-1010	2071-2080	2371-2380	2901-2910
0531-0540	1101-1110	2101-2110	2651-2660	2931-2940
0621-0630	1691-1700	2181-2190	2741-2750	2991-3000

The Notes redeemed will be paid at the principal amount thereof, together with accrued interest to 15th September 1986. On and after 15th September 1986 interest shall cease to accrue on the Notes drawn for redemption.

1st August 1986

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Retraining

The case for collaboration

BY ALAN PIKE

BRITAIN abounds in further education colleges — there are hundreds of them compared with only a few dozen universities.

They should therefore provide a natural and automatic way of meeting employers' training needs. But, although the local tech has always done service as the place to send apprentices, there is far less recognition by industry that colleges have the potential to handle a much wider range of adult re-training and consultancy services.

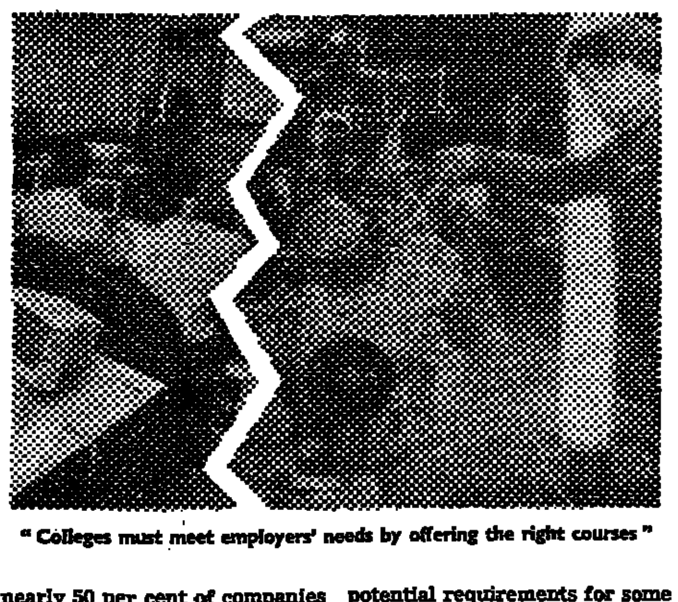
Recent research confirms that most employers see further education colleges only as places to train young people, with few companies using them for other purposes. But the research also suggests that the potential share of the adult training market available to the education sector is a big one and some institutions like the Coventry Consortium — a combination of Warwick University, Coventry Polytechnic and three further education colleges — are mounting a successful and business-like attack on it.

In a bid to encourage colleges, polytechnics and universities to increase their share of the mid-career training market the Department of Education and Science's PICKUP (Professional, Industrial and Commercial Updating) programme was initiated in 1982.

With a budget of around £5m a year the PICKUP team can act only as a ginger group, encouraging action from colleges and local education authorities, rather than as a direct provider of training. PICKUP is, as Dr Will Bridge, DES programme manager, describes it, a sort of franchise—a common label which colleges can attach to their industrial updating work to give it a more coherent and positive image.

It is estimated that work by further and higher education institutions in updating the skills of adult employees is currently growing by about 10 per cent a year, following a period of decline in short vocational courses. The Government would like to see a five-fold increase in such courses—even a growth rate of this scale would leave the UK behind West Germany.

Valuable light on how to expand college activity in this field has been shed by a PICKUP / Further Education Unit report published recently. It is the result of an analysis using visits, interviews and questionnaires of the new technology training needs of more than 500 companies in parts of Lancashire carried out by Accrington and Rossendale College.



"Colleges must meet employers' needs by offering the right courses"

The research shows that while nearly 50 per cent of companies used further education colleges for initial training, only 5 per cent went to them for short courses. Many employers, says the report, were "unaware that colleges provided training for adult employees and consultancy and up-dating services for industry."

Accrington and Rossendale College has reacted swiftly to the implications of the report. A college-industry liaison committee has been established, funding has been obtained to launch a full marketing strategy to present the college's potential services to industry and a new fee structure has been developed to accommodate work outside the traditional further education sphere like consultancy.

The college learned from the study that many factors can influence the likelihood of employers using further education training facilities — from methods of study and types of equipment right down to initial impressions created by the appearance of buildings.

Accrington and Rossendale College says that the research exercise has provided an "excellent market analysis" of the potential requirements for some of its services. Market has not always been a greatly-used term in the academic world, but it is one that the PICKUP team is happy to hear.

"Colleges have to meet employers' needs by offering the right courses and, for example, by helping put together financial packages," says Bridge. "If you buy a car the salesman helps you work out how to finance it. Education has for far too long been removed from that sort of thing. Colleges should have a portfolio of information on Manpower Services Commission funds and Government subsidies available for employers."

These two elements identified by Bridge—advice on funding and the need to meet employers' precise training requirements—both feature in the promotional material of one of the undoubted PICKUP success stories, the Coventry Consortium.

The consortium was launched in 1983 as an ambitious exercise in collaboration between three different types of educational institution—Warwick University, Coventry (Lanchester) Polytechnic and Coventry, Henley and Tile Hill further education colleges.

Implemented with pump-priming financial support from the PICKUP project, Warwick University and Coventry City Council, the consortium was given two years to become financially viable. It succeeded, although not all its income has been generated by direct PICKUP-type work; it has, for instance, run a programme of courses for the unemployed financed by the European Social Fund and the former West Midlands County Council. Coventry Consortium's turnover this year will exceed £750,000, with a growing amount of work coming from overseas.

"When we started three years ago education was being heavily criticised for its take-it-or-leave-it approach," says Carolyn Hall, joint principal executive of the consortium. "Most of the work being carried out for industry then was basic craft training in the further education colleges. We have shown that by collaborating with industry to solve training problems the education service can make a contribution over a much wider field."

The consortium is able to call upon the expertise of 1,500 staff in 50 departments of the five institutions to help meet employers' training requirements. But on many courses, academics are blended with outside lecturers—evidence shows that mature students from industry want to hear the views of end-users.

A typical short course on the management implications of change and new technology was conducted by a technologist from Jaguar, a finance manager from GEC, a college lecturer and speakers from the Department of Employment.

When Carolyn Hall and Mike Musson explain why they believe the Coventry Consortium has grown so successfully, many of their reasons relate to the central PICKUP message of meeting the needs of industry. The consortium is strongly client-led, seeing it as its role to tackle employers' precise requirements.

There are now more than 200 schemes receiving financial support under PICKUP and the MSC's related Local Collaborative Project initiative. Many are smaller than Coventry, and much of the individual expenditure is small. Around £45,000 is being invested in a brokerage scheme run by the British Association for Commercial and Industrial Education to increase industrial secondments for further and higher education lecturers. Another £350,000 is being shared among 17 universities so that they can appoint co-ordinators to improve liaison with local industry.

Everyone is responsible for quality

Laurie Ludwick on a system designed to sharpen corporate competitiveness

FRANK PERDUE is relentless in his pursuit of tastier, juicier chickens. A special diet and innovative breeding techniques produce tender birds which have plumper breasts than those of the competition. As a result, Perdue Farms, the US supplier of poultry, can command a premium price and achieve margins well above the industry average.

"Frank Perdue is to chickens what Lee Iacocca is to the American automobile industry," says Dr Steve Smith, a management consultant who specialises in making businesses more quality-driven. "Perdue sells a high-quality product and the American consumer knows it—it's his method of differentiating and gaining a competitive edge."

The Perdue example is one of many that Smith gives when he talks about "total quality management," the process by which a company—whether it is in manufacturing or services—satisfies a customer's needs at minimum cost, by harnessing the efforts of everyone in the organisation.

A quality specialist at PA Management Consultants and author of a new management guide to achieving TQM*, Smith says that service companies such as British Airways, Marks and Spencer and Citibank will be better equipped to expand in increasingly competitive markets having embraced this business philosophy.

In the early 1980s, the quality revolution erupted in the US as companies recognised the need for a new weapon to combat the Japanese threat. But in some European countries such as the UK, companies are just beginning to embark on a TQM programme—which incorporates quality into every aspect of a business, from the shop floor to the board room.

"UK companies are just waking up to the significance of the quality movement," says Smith. "In Europe, they must compete with American subsidiaries who have already assimilated TQM into their operations, and the bigger UK companies want to take advantage of the hotter US market, where quality is becoming more of a survival issue."

But how is "total quality management" different from any of the buzz-word techniques like "quality circles," which over the past decade have been introduced into many companies on both sides of the Atlantic with varying degrees of success?

Quality circles take a "bottom-up" approach to achieving improvement in the organisation, by focusing first on the shopfloor and moving up to senior management. But according to Smith, quality circles have often failed when transplanted to the West from Japan because they were introduced in isolation of broader quality measures. In particular, senior management was often too far removed from the circle, and the initial enthusiasm for the programme proved impossible to sustain.

Total quality management has an extra dimension, according to Smith. Every individual in a company has a role to play in improving quality on the job, and the programme is initiated from the executive level, where specific objectives are identified and filtered down.

The approach departs from the traditional autocratic style of management, says Smith. Although supervisors still delegate responsibility for quality downwards, they draw on the employees' initiative to make further quality improvements.

"By using this action-team approach, which looks for problems and makes priorities from the top down, a company is using its energy and initiative much more effectively than if it just responded to problems—as in quality circles."

In 1983, British Airways implemented "Putting People First," a long-term programme aimed at improving its customer service. After coming out of a difficult period in the early 1980s, BA hoped to differentiate itself in a crowded market by showing the customer it cared and improving its corporate image.

The programme was launched with a two-day staff development seminar—the thrust of which was to reinforce the "quality message" to every staff member. Three years later, Brian Hamill, BA's quality assurance manager, still spends his entire day reinforcing the same message. For Hamill, the programme's priorities are a willingness to change — by responding quickly to the needs of the consumer—and a recognition that motivation is a key to sustaining the quality drive.

British Airways followed up the programme launch with its own version of quality circles, which it calls "Customer First Teams."

"Through the teams we encourage volunteers to examine the way in which customer service can be improved," says Hamill. "The result of the continuous feedback from customers through all levels of our staff is an ability to make changes quickly, with a tangible benefit for the consumer."

Smith estimates that a typical TQM programme requires approximately 18 months in operation before its benefits will be realised. He identifies these as improved company image, morale, and productivity, as well as substantial cost reductions.

His management guide is a useful, thought-provoking introduction to TQM. In it, Smith outlines the philosophy's guiding principles and the four stages he believes are essential for ordered progress towards the total quality environment. In addition, it discusses various specific techniques that can help a company to achieve TQM, including quality training and improvement action-teams.

Whether every company can achieve such success is questionable. And while the connection between British Airways and the purveyor of plumper chickens may be remote, they share one belief: that total quality is attainable. As Smith says: "If you can differentiate a dead chicken, you can differentiate anything."

*How to take part in the quality revolution is available for £6.95 from the Public Relations Department, PA Management Consultants, Bowater House East, 68, Knightsbridge, London, SW1X 7LJ.

Management abstracts

Practical accounting for just-in-time production. W. Holbrook in Journal of Accounting and EDP (US). Autumn 85 (6 pages)

Contends that, in a JIT production system, the accounting function must concentrate on providing information to help managers focus on areas of difficulty; favours simplified accounting for measuring/reporting operational effectiveness, using actual—rather than job costs. Explores accounting areas—inter alia, labour, machine set-up/downtime — influenced by JIT.

Intelligent buildings. J. Eley in Facilities (UK), April 1986 (7½ pages).

Defines aspects of building intelligence—inter alia—building services/office task automation, and their implications for building design and management; traces its roots to the development of services control systems and IT. Looks at the possibilities of shared tenant services in speculative buildings (each tenant paying for systems needed). Examines approaches to the combination of systems controls to integrate or combine systems; discusses how facilities managers should approach the definition of needs and priorities, and touches upon the economic aspects of intelligence provision.

A cultural audit. P. Wright in Journal of European Industrial Training (UK), Volume 10 No 1 (3½ pages)

Defines corporate culture and a "culture profile" lists 10 characteristics of the ideal culture. Describes how to compile profiles based on interviews and/or questionnaires and gives an example from an unnamed public sector organisation, probably in Canada; sees this as a useful preliminary to conducting a training needs analysis.

Promotion patterns in a Japanese trading company. V. Pucik in The Columbia Journal of World Business (US), Autumn 1985 (7 pages)

Analyses middle management promotion patterns in a large unnamed Japanese trading company, with managers drawn from predominantly male college graduates, and nearly all promotions from within. Typically, all graduate entrants receive "automatic" promotion during their first 12-15 years service, and subsequently, formal differences in promotion patterns occur. Stresses that the emphasis is on slow and careful evaluation rather than an early indentification of stars"; finds, however, that after the fourteenth year (the make-or-break year) competition becomes intense.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p & p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TECHNOLOGY

Stephanie Yanchinski on how hard business thinking is being brought to bear on the innovative world of biotechnology

ICI sends expeditionary force into the wild blue yonder

JOHN RUSSELL, head of ICI's Biological Products Business unit, spends over half his time on the road. So does Dave Barstow, animal nutrition manager, and others on Russell's management team. "We," says Russell, "are only keeping up with the scientists, who regularly put in 12-hour days."

The punishing hours have become an important part of this unit which two years ago was handed the tough remit of turning the bluest of "blue sky" research efforts into new businesses. It is now showing how a major concern like ICI, the British chemicals giant, can harness innovations as effectively as much smaller biotechnology "boutiques."

Since 1984, the unit has brought four products close to the market place, and nurtured the growth of ICI's newest subsidiary, Marlborough Biopolymers.

The key to the success of this team of 200 scientists, engineers, and marketing specialists lies in its independence from ICI's conventional corporate structure, Russell believes, and in its close attention to the needs of the market.

Its successes include mycoprotein, a new human food, which ICI is developing in partnership with the British food group Ranks Hovis McDougall, a silage additive, and an enzyme for cleaning up toxic cyanide wastes.

One, a disposable plastic called Biopol, has great profit potential for ICI. This biodegradable polymer is made from polyhydroxybutyrate, a natural chemical extracted from bacteria. From sugar building blocks the bacteria synthesise a plastic which can be moulded into a number of commercially interesting objects, from disposable tampons to industrial films. Three years ago ICI mandarins thought the prospects so alluring that they recommended setting up Marlborough Biopolymers to commercialise Biopol.

However, despite the marketing muscle of ICI, which has annual turnover of £11bn, there was no guarantee that the group could succeed with Biopol. Other biotechnological innovations from ICI laboratories have not met with much success in the marketplace.

Pruteen, the world's first animal feedstuff made totally in a fermenter, took £80m and 12 years to get off the ground. Yet poor market conditions, unforseen in 1968, doomed Pruteen from its launch in 1980. Today, ICI has a product difficult to sell economically, and the state-of-the-art production plant at Billingham only runs intermittently.

This experience has led ICI to take a different approach. In order to capitalise on its by now considerable engineering and scientific skills, and perhaps avoid another such embarrassment, the company established the Biological Products Business unit.

In many ways it runs more like one of the famous American biotechnology "boutiques" than a typical divisional research department. The unit operates within strict cash limits (around £10m a year), and aggressively seeks business collaborations with companies outside ICI. Commercial priorities dominate planning meetings, where scientists and market analysts sit shoulder to shoulder to plot future strategy. As a result 20 projects have been ruthlessly pruned to just 12.

John Russell (centre), head of ICI's Biological Products Business unit, believes the key to success lies in independence from the group's conventional corporate structure. He and Dave Barstow (right), animal nutrition manager, have become used to 12-hour working days, while John Adsetts (left), managing director of Marlborough Biopolymers, is out to attract "good people with imagination"

Russell says: "We know we can be cut at any time. We need to be quick on our feet, and our more entrepreneurial style would not fit easily into ICI's divisional structure."

The pressure to produce cash results has worked a remarkable change in ethos among the staff, who now possess a lean and hungry attitude not common in large, successful companies like ICI. Tough to accept at first, staff now see second-class travel and third-class hotels as a normal way of doing business.

More difficult, still dedicated scientists have watched pet projects summarily eliminated. To help scientists better understand the commercial considerations behind these decisions, the Biological Products marketing team invented Moledoom (see accompanying story), a paper business game which has proved very popular.

Nevertheless, John Adsetts, managing director of Marlborough Biopolymers, admits: "We are still in danger of losing people who have 100 ideas a day."

However, the unit's skills in process engineering still attracts good people, with imagination, who have devised such things as biological processing of high performance plastics, pharmaceuticals, and agricultural intermediates. The development of a powerful agent for cleaning up toxic cyanide wastes best illustrates what the unit is trying to achieve.

CYCLEAR is based on an enzyme produced naturally by fungi in the soil. Its discoverers at the University of Kent's Microbiology Department, under Dr Christopher Knowles, were intrigued by the fungus's enormous appetite for cyanide, which it converts into harmless carbon dioxide and ammonia.

Cyanide wastes are a persistent pollution problem, and Knowles was trying to interest chemical companies in his fungal scrubber, when ICI offered "modest but sufficient" funding for further development. With additional support from the Science and Engineering Research Council's Biotechnology Directorate the project rapidly became a commercial reality.

So successful was the partnership that Knowles says "I'd do anything to help the unit. I'm glad we have a British company being sharp and awake, and trying to succeed." Dr Geoffrey Potter, head of the Biotechnology Directorate comments "I wish we had more companies like this."

Much of the development work went into designing "contactors." These are holding tanks or large columns, where conditions are just right for nurturing the living enzymes. These contactors come in all sizes, and can be easily tailored to any company's waste treatment process, handling up to 100 gallons of waste a minute.

Ironically, ICI almost abandoned the project as initial contact with potential customers, who refused to admit their company had a problem, was disappointing. Characteristically, Russell's intrepid marketing men did not give up, but placed a technical product advertisement in a trade journal, which drew over 300 replies.

For a company as large as ICI, however, even the size of the market for CYCLEAR, some "tens of millions of pounds" according to Dr Frank Holt, CYCLEAR'S product manager, is unlikely to impress a main board looking for "blockbuster" products.

The question still remains whether these specialty products with small, "niche" markets, justify their investment, and help support the ICI corporate superstructure built up in the heady days of the petrochemical boom.

Russell says "How ICI will manage these new start-ups still remains to be addressed by group level management."

Keep moles off the spinach and get to grips with commercial reality

A QUIRKY business game full of anagrams and humourous asides could help spell success for Biological Products. Invented by an ICI engineer, Moledoom aims—with a bit of fun and inhouse humour—to teach scientists in advanced research, and engineers away from the market place, some of the complexities of commercialising biotechnology.

Few rules exist for selecting commercial winners in this latest of sunrise businesses. Moledoom is therefore especially intriguing. It requires thoughtful play, takes no more than a few hours, and has been so successful, ICI is thinking of patenting it. At present it is played on paper but has the potential for transference to a computer.

"Developing and launching a biotechnology product is more of an art than a science," says Dr Peter Dixon, manager of ICI's Bio-organics Programme and Moledoom's inventor. He modelled the game on a biological product ICI launched last year, instead of starting with a project still in the laboratory.

"Moledoom" is a mythical, non-polluting biological agent which dooms spinach-eating moles to death. In the game this gardener's delight faces stiff competition from conventional chemicals during its first year on the British market, and makes substantial losses. The players must drastically reshape the product's business strategy, and so safeguard the future of the company.

They face problems common to the chief executives of many small biotechnology companies. These harassed managers worry daily over how to placate a bank manager concerned about overdrafts, and at the same time produce a business plan that will satisfy company accountants looking for growth.

Three syndicates, five people per syndicate, have so far taken turns playing Meledoom, and the game's popularity means that eventually all of the scientists and engineers, about half the company's 180 staff, will get a chance.

Winning the game depends on devising ways to lift trading profits and cash flow in order to reduce bank overdrafts, while still keeping production and research investment flowing.

To set reasonable targets the teams juggle complicated bits of information, including accounting for fixed and variable costs, data on competing products, and geographical product distribution. All the while, investment in production and additional research must be balanced.

On top of this players decide whether or not to purchase extra information, such as expensive marketing analysis. Even weather forecasts could affect the company's trading position. For instance, a wet spring could affect the root system of spinach, the mole population, and thus the sales of Moledoom.

Dixon says, "The game gives scientists and engineers an insight into the uncertainties of market demand, and a feel for market penetration and competing products. People who normally work in very numerate and exact disciplines often find these things hard to grasp."

Dr Fionnuala Wynne, a graduate geneticist who jointed Biological Products two years ago, is perhaps typical of the highly trained professional ICI is trying to educate. "We have quite a bit of experience running industrial projects," she says, "but not much commercial knowledge."

She says, "Most of us went into the game a little sceptical. We saw it as a time waster, which we resented a bit, as we are always under pressure." Afterwards, however, she and the others felt the game was "brilliant," and the "best business game" they have ever played.

For Wynne understanding the commercial rationale behind decisions to cut promising projects was "very, very helpful. This is particularly important in Biological Products, where we have a lot of projects going on and they often seem to go down for no reason at all," she says.

Flexible control of milling machines

By Geoffrey Charlish

MACHINING CONTROL direct from a Prime 32 bit minicomputer has been achieved by Britain's Delta Computer Aided Engineering at Aston Science Park, Birmingham, on a model 3V-M vertical milling machine from Matchmaker Machines, Kingston, Surrey, UK.

It is the first of seven machines operated by Delta CAE to be linked to the minicomputer directly, without the use of magnetic or punched paper tapes.

The result will be faster, more flexible and more accurate machine tool control. Programs are held in computer memory and are instantly accessible.

The 3V-M is used by Delta CAE in conjunction with design and manufacturing software from associate company Deltacam which runs the Prime machine on the same site. The software produces data for the direct machining of complex moulds and dies for plastic mouldings, metal castings and forgings. Matchmaker Machines is on 01 549 9161.

Waste disposal comes on tap

By Elaine Williams

A domestic waste disposal unit that harnesses the force of the water supply has been launched by Hydro-Tech (UK). The company says that, by making use of this power source, the new unit is twice as powerful as conventional systems using electricity.

It is also able to cope with a much wider range of kitchen waste, such as fibrous foods like corn on the cob.

THE ARTS

Arts Week

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Theatre

NETHERLANDS

Amsterdam, Carre Theatre. China's Peking Circus (Tue to Thur, Wed 2 perfs.). (225 225).

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the *Aids epidemic increases.* (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not *travelled well from* Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s **Merry Wives** continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors *playing boyish dragoons in* Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a *drunken Falstaffian photographer* and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on *indiscriminate rushing around.* Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with *Alan Bleasdale's Elvis Presley* show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic *only* in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as audi*tions rather than emotions.* (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Takarazuka All-Girls' Revue. This phenomenon, the antithesis of Kabuki, where all the roles are played by girls but with typical Japanese innocence and earnestness, is a must for visitors. Takarazuka perform elaborately-staged and skilled musical adaptations of both Japanese and Western plays – also revues and standard musicals. Highly improbable plots are more than compensated for by spectacular stagings and huge casts. Detailed *English summaries in the programme* – in case the original story is altered beyond recognition. Takarazuka Theatre near Ginza and main hotels. Afternoon and evening performances. (591 1711).

42nd Street: The original version (in English) of the musical which celebrates 1930s Broadway for a Japanese public tired of home reproductions now clamouring to see hit musicals in their original form. NHK Hall, Shibuya (980 6666; 237 9999; 460 8111).

Music

PARIS

David Simpson, cello, Noelle Spietle, harpsichord: Geminiani, Bach, J.C.E. Bach, Soler, Boccherini (Mon 7pm). Auditorium des Halles, 5 Porte Saint Eustache.

Alice Ader, piano: Beethoven, Thematic Variations (Tue 6.30pm). Auditorium des Halles.

Sinfonietta de Picardie, BWV choir conducted by Alexandre Myrat: Lorca, songs, M. Ohana guitar compositions. *De Falla.* (Wed 6.30pm). Auditorium des Halles.

NETHERLANDS

Amsterdam, Westerkerk. Ursina Cailisch, organ. Bach, Widor, Alain, Reger (Mon). (24 77 66).

Amsterdam, Oude Kerk. Organ recitals by Willem Vogel (Tue) and Vincent de Vries (Wed).

LONDON

City of London Sinfonia conducted by Richard Hickox with Jane Manning, soprano and Robert Tear, tenor. Britten, Delius, Nigel Osborne and Walton. Royal Albert Hall (589 3212). (Mon).

The English Concert directed by Trevor Pinnock. Handel's Solomon with soloists including Felicity Palmer, Arleen Auger, Anthony Rolfe Johnson and Della Jones. Royal Albert Hall (Tue).

Nexus Opera in Britten's Curlew River. Royal Albert Hall (Wed 10pm).

VIENNA

Volksoper Orchestra conducted by Ernst Maerzendorfer. Schubert, Strauss. Arkandehof (Tue).

Alexander Jenner, piano. Schubert, Chopin, Debussy. Laxenburg palace (Wed).

European Community Youth Orchestra conducted by Eliahu Inbal with Michel Berof, piano. Ravel, Liszt, Beethoven. Konzerthaus (Thur).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Festival Chamber Orchestra, Christopher Hogwood conducting, Malcolm Bilson forteplano, Stanley Richie violin. Mozart, Haydn (Mon); Festival Orchestra. Sir Charles Mackerras conducting, Richard Goode piano, Heinz Holliger oboe. Mozart, Krommer, Haydn (Tue, Wed); Heinz Holliger oboe recital with wind ensemble from Orpheus. Beethoven, Weber, Reicha, Triebensee, Mozart (Thur). Lincoln Center (874 2424).

WASHINGTON

Summer Festival (Concert Hall): Remains the same, viz. highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes recital performance Neil Sedaka, Shirley Bassey, Dionne Warwick and Petula Clark. Ends Aug 27.

CHICAGO

Ravinia Festival: Beaux Arts Trio. Haydn, Shostakovich, Rachmaninov (Mon); New York Philharmonic conducted by Leonard Bernstein. Bernstein, Tchaikovsky (Tue); Christopher Hogwood *conducting* with Michael Bilson fortepiano. Mozart, Haydn (Wed); Chicago Symphony conducted by David Zinman with Itzhak Perlman violin. Rossini, Bruch, Sarasate, Ravel (Thur). Highland Park. (728 4642).

TOKYO

Stanislav Bunin (piano): Haydn, Mozart, Schumann, Chopin. Hitomi Hall, Showa Women's College. Sangenjaya (Tue). (235 1661).

Opera and Ballet

WEST GERMANY

Bayreuth. Wagner Festival: Tristan und Isolde, produced by Jean-Pierre *Ponnelle, conducted by Daniel* Barenboim; Die Meistersinger; Peter Hall's Ring; Wolfgang Wagner and Guiseppe Sinopoli's version of Tannhäuser (921 20 221).

Heidelberg Festival Heidelberg's romantic castle grounds are again the scene of an open-air music festival until August 31. The programme offers Albert Lortzing's Hans Sachs and Telemann's little known opera Der Geduldige Sokrates, both produced by Peter Ozolnik and conducted by David Effron. A mainstay for many years has been the Student Prince. There will also be chamber and symphony concerts. Heidelberg Theatre, 4 Theaterstr., 6900 Heidelberg 1 (0 62 21/210 76).

ITALY

Verona: Arena di Verona: Giordano's Andrea Chenier conducted by Gianluigi Gelmetti; Un Ballo in Maschera with Maria Chiara, Silvano Carroli and Luis Lima, conducted by Gustav Kuhn; Aida, conducted by Daniel Oren, with Natalia Troitskaya. Franco Bonisolli and Fiorenza Cossotto. (28 151).

Macerata: Arena Sferisterio: L Pagliacci and Cavalleria Rusticana conducted by Alain Lombard; Il Trovatore conducted by Anton Guadagno, with Giorgio Zancanaro. Yasuko Hayashi, Fiorenza Cossotto and Lando Bartolini. (4 07 35).

Ravenna: Rocca Brancaleone (Ravenna Festival): Lucia di Lammermoor with *Mariella Devia, Luis Lima,* Juan Pons and Michaele Pertusi, conducted by Carlo Franci (3 61 61).

LONDON

Bolshoi Ballet at the Royal Opera House, Covent Garden with the Golden Age, Spartacus and Raymonda. (240 1066).

Festival Ballet at the Royal Festival Hall with Giselle followed by Ashton's Romeo and Juliet. (928 3191).

VIENNA

Volksoper: Die Fledermaus; The Magic Flute.

NEW YORK

New York City Opera (NY State Theatre): The week features the new productions of Werther, conducted by Sergiu Comissiona in Lofti Mansouri's production and Don Quichotte, conducted by Mario Bernardi and directed by John Copley, along with La Bohème, The Marriage of Figaro and Madame Butterfly. Lincoln Center (870 5600).

Exhibitions

LONDON

Hayward Gallery: Dreams of a Summer Night – an exhibition of painting at the turn of the century in the five Nordic countries, organised by the Arts Council and the Nordic Council of Ministers. It proves to be an important and intriguing exercise in critical reassessment, for though many of the painters enjoyed a certain contemporary fame abroad, they were with one great exception all but forgotten in the years after the first world war. Munch was that exception, and the chief value of this exhibition, which throws a fresh light on his work, is the demonstration that he was no arbitrary phenomenon but the notable product of a distinctive national and regional character. Ends Oct 5, then Düsseldorf and Paris.

The Tate Gallery: Oskar Kokoschka – a major exhibition to mark the centenary of the Austrian survivor of the great age of expressionism before World War I, who died only in 1980 at the age of 94. He continued to work long into old age, by which time the sometime radical, ex-cavalryman in the Austrian Emperor's army had been long confirmed in the Establishment, a Swiss resident for nearly 30 years and British citizen for nearer 40. This full retrospective confirms that the young painter, fresh from his studies in Vienna in the mid-1990s, was an artist of vision and true genius. Ends Aug 10.

PARIS

Hispano-American Silversmith's work: The 150 exhibits on loan from the Buenos Aires municipal museum cover three centuries and are the result of the combination of the legendary riches of the Peruvian mines with the exuberance of colonial craftsmanship. Silver – beaten, chiselled, filigreed – accompanies everyday life. For the gaucho there are silver stirrups and cruel looking spurs. There are delightful perfume-burners in shapes of animals and *maté* cups for traditional herbal infusions decorated with endlessly inventive flower motives. As for liturgical objects, religious fervour tends to make the ornate baroque style rather overpowering. Louvre des Antiquaires, 2 Place Palais-Royal (4297 2700). Ends Sept 6.

Mediaeval art in Paris: The abbots of cluny built their magnificent late gothic town house in the heart of the Latin Quarter on three blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art: goldsmith's work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn *mille fleurs* tapestries – an allegory of the five senses, one of the masterpieces of mediaeval art. Musée de Cluny. 6 Place Paul-Painvevé, Métro Odéon.

Picasso Museum. The 17th century Hotel Salé, sumptuously restored, *provides a fitting home for the* world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's collection of paintings by his friends such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. Musée Picasso, Hotel Salé, 5 Rue Thorigny, Paris 3 (42712421). Closed on Tuesdays.

Rodin's Riches. A delightful 18th century Townhouse – Hôtel Biron – contains the life work of Auguste Rodin, whose genius opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac, draped in his cloak, defies time. Musée Rodin, 77, Rue de Varenne (Métro Varenne) (47050134). Closed Tuesdays.

WEST GERMANY

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion: 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

Essen: Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised *by the institute, founded* three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesti and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.

BRUSSELS

Ghent: Chambres d'Amis, 51 interna*tional artists showing in 51 private* houses. Tickets, map etc from Modern Art Museum, Ghent (091/211703). Ends Sept 21.

ITALY

Florence: Fort Belvedere: Donatello and his Contemporaries illustrates the remarkable versatility of the greatest sculptor of the early Renaissance. Half the 110 works here were on show in Detroit last autumn, but notable additions include the Cellini Madonna lent by the Victoria and Albert Museum, the bronze Tondo rediscovered in 1975 and two recent discoveries of possible Donatellos: The Madonna of the Murate (found in the chapel of the one-time Florence prison) and the unfinished head of a youth, found in the Uffizi store-rooms. One room contains the four outstanding Florentine wooden crucifixions of the *fifteenth century)not counting Michaelangelo's* in the Casa Buonarotti): That of Brunelleschi: the crucifixion from S. Croce by Donatello, Michelozzo's from S. Niccole and the crucifix from S. Bonaventura a Boscoai Frati, of doubtful attribution. Ends Sept 7.

Lugano: *Villa Favocita: Goya In Private Spanish Collections:* 50 paintings by Goya, normally impossible to see and which have never travelled before. The exhibition is organised by Baron Thyssen and the Spanish Minister of Arts. Among them is the portrait of the Contessa *di Chinchon, considered the best of* Goya's paintings of women. Ends Oct 19.

Rome: Palazzo Braschi: Rome 1934: an unusual collection of paintings (including some well-known names such as De Chirico and Giacomo Balla) showing the curious artistic climate prevailing under Mussolini. Ends Aug 24.

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

Florence: Palazzo Pitti (Sala Bianca): Mary Magdalene: Saint and Sinner: An inspired exhibition based on the contrasting aspects of the character of Mary (who symbolises both sin and redemption) as seen by artists as diverse as Titian (the glorious Mary Magdalene of Noli Mi Tangere) to Guttuso and de Chirico, via the gloomy and often despairing figure of many of the 19th century paintings. Ends Sept 7.

Rome, Palazzi dei Congressi: La Quadriennale: A four-yearly event returns after a 10-year absence. More than 400 contemporary Italian artists in seven sections. Entertaining, stimulating and immensely varied. Ends Aug 15.

Rome: Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov 30.

The Venice Biennale: The pavilions of the Giardini at the farthest end of Venice, the magnificient Corderie of the Arsenale and the Palasport nearby are now full of art. Arte e Scienza is the theme in the Central Pavilion of the Giardini, embracing the metaphysical and surrealist strain in modern art; an investigation of the tricks and devices of perspective; and a collection of oddities and marvels from all periods.

The national pavilions in the Giardini disregard theme but are highly conscious of the jury. The Spanish pavilion is outstanding, but the French pavilion gets the prize. The Golden Lion is shared by Sigmar Polke of West Germany and Frank Auerbach of Britain.

NETHERLANDS

Amsterdam, Van Gogh Museum. Vive le public an exhibition of Daumier's satirical prints of the emergent bourgeoisie bedazzled and baffled by 'Art'. Ends August 25.

Amsterdam, Tropenmuseum. The Human Story charts evolution from the origin of the universe, through the age of the dinosaurs and the appearance of the first primates, up to the present day. Video programmes, life-size reconstructions of early hominids (including Leakey's famous 'Lucy') and touch-screen displays illustrate this detailed story of mankind previously seen at the Commonwealth Institute. With an introductory section on the theory that a meteorite impact 64 million years ago led to the extinction of the dinosaurs and cleared the way for

Continued on Page 15

THE ARTS

Cinema/Nigel Andrews

Long Sicilian days of whine and rosé

Taormina Film Festival
Desert Hearts directed by Donna Deitch
Maxie directed by Paul Aaron
Troll directed by Charles Band

Mad dogs and Englishmen, as Noël Coward established, go out in the midday sun. But among the many places Coward listed where they do so, he unaccountably failed to mention Sicily. Some 300 miles north of a country now ruled by the most famous mad dog in the world, a group of English film critics annually gathers under a baking sky. Time: July. Occasion: the Taormina Film Festival. Supporting cast: the world's other film critics.

There is no xenophobia in thus demoting non-English critics. The plain fact is that none of them goes mad or sunstruck in Taormina in the same way as the English. In previous years this group has confined its eccentric activities to eating shellfish from the most polluted sea in the world and to barbecuing themselves bright pink around a noon-day pool, so that they resemble distressed copies of the FT.

This year wine-throwing was thrown in as well, courtesy of a new recruit to the British film critic ranks. During a mildly heated debate, this young lady, clearly influenced by writing for a newspaper for the retired military, aimed a glass of rosé with Exocet accuracy at a fellow-critic from a well-known paper (not unconnected with Manchester). At a stroke the standard of intellectual discussion, if not of manners, rose around the English lunch table.

I was also impressed by this critic's technique for enduring the grislier movies in Taormina, of which this year there were several. Stretching her long legs over two rows in front of her, she peers at the films through a film of hair and over an entire intervening body-landscape. I tried this myself once, but almost ruptured my spine. But I am sure it must work wonders for films like Florian Furtwangler's dire *Tommaso Blu* (about a factory worker who turns into a dog), Dennis Berry's *The Last Song* (a French-Swiss rock thriller in which the suspense is bearable, but the music is not) and *Man of Ashes*, which won this year's Golden Carybdis.

This is the first Taormina festival I can remember when the jury picked a grossly undeserving film for top prize. Nouri Bouzid's Tunisian essay in *sturm und drang*, about two brothers whose personal traumas (including childhood rape) write in miniature their country's agonies of identity, is directed with the kind of self-importance and semaphored symbolism that a director usually gets out of his system at film school. Poorly acted and lit with monotonous ladlings of shadows, it deserves to go nowhere but will probably now prize-guerdoned, go everywhere.

Far better, indeed the masterpiece of the festival, is Felix De Rooy's *Almacita of Desolato* from the Dutch Antilles. This won a performance prize for its superb black actress Marianne Rolle. She is a priestess in turn-of-century Curacao who breaks her vows of chastity when she falls in love with a man from the spirit world. A child is born and so is a tragedy. Whipping together the wrath of the gods, the choric chants and murmurings of the villagers and the most powerfully imaginative photography I have seen in a low-budget film (golden deserts, swirling expressionist skies), this is Third World cinema that asks to be judged without any *condescension or allowances*.

De Rooy's firm should have won the Golden Carybdis, but in a year of erratic prizes it did not even win the silver or bronze. They went, respectively, to the powerful if stagy *Malayunta* from Argentina and the lacklustre *Eat The Peach* from Ireland. The first is a parable of the *desaparecidos* in which a free-living sculptor is tormented and done to death by the puritanical couple who share his flat. Fine acting, crescent suspense and taut direction by José Santiso. The second firm, directed by Peter Ormrod, is a yawnsome yarn about a stunt motorcyclist who builds himself a "wall of death": one of those centrifugal stadia for racing around sideways. Good stunts but deadly plotting and undernourished characters.

Another Celtic movie, Charles Gormley's *Heavenly Pursuits*, won Tom Conti the Best Actor prize. Conti, resembling a genial bird of omen under a giant nest of black hair, is the Glasgow teacher protesting "Look, no miracles" as the Press and media keep crying "Divine intervention" about the happenings at his Catholic school: his own survival from a near-fatal fall, the quantum leaps towards mental prowess made by his backward pupils. Conti is all for faith, hope and charity. But greater than all these, he insists, is clarity (of thought). Gormley directs this fable of reason versus mysticism with very good humour, although the plot structure needs some minor miracles of tidying up and some brighter characters to support the splendid Tom.

Taormina too needs some miracles. Though wonderfully looked after during the day in their poolside hotel by fest chief Guglielmo Biraghi, the critics keep wondering what hits them as they enter the festival cinema each night. Here the sound is bad, the picture not much better, and air-conditioning is provided by a slide-open roof giving on to nocturnal sights and sounds (cats, bats, stars, coffee grinders) which are a not always welcome distraction.

Meanwhile a big new festival building on the main square, *almost* finished after years of contractual wrangling, still waits to be fitted and fixtured. An optimistic inaugural party was held on the rooftop, at which guests sipped an exotic but unidentified pink liquid while peering nervously over the edge. Another year or two of Sicilian in-fighting and, who knows, the building might actually open. We Taofest visitors — who enjoy the festival hugely despite all our gripes — will at last have a place to call *casa nostra*.

★

Back in Britain nothing has changed. The cinema silly season continues apace. The biggest film opening this week is Sylvester Stallone's *Cobra*, which Cannon (fearful of bad reviews?) Press-showed last night, too late to catch most *film columns including this one*. I shall review it next week.

The week's best is Donna Deitch's *Desert Hearts*. Ah! the burning sands of Nevada! Hither comes uptight schoolmarm Helen Shaver, mid-30s and from New York, seeking a quickie divorce at Reno. Lesbian love flowers as unusual plants do in the desert, between her and the daughter (Patrice Charbonneau) of her boarding-house landlady (Audra Lindley). We watch the love grow, beset by such inclement influences as the redneck male populace and the mother's drink-fuelled differences of opinion with her daughter's *inamorata*.

Helen Shaver and Alex McArthur in Desert Hearts

The movie is based on a novel and sometimes feels like it, chugging from station to *station of its story like a game* but battered steam engine. But the nearly-all-female cast is excellent, the sense of place is strong. There are cracked-heart ballads from Patsy Cline on the soundtrack, and on this form Miss Deitch will be heard from again.

Maxie, by contrast, is a dire little comedy in which married couple Glenn Close and Mandy Patinkin, redecorating their flat, find the words "Maxie lived here" scrawled in antique crayon under their wallpaper. Who is/was he? The late Maxie turns up as a ghost to answer their curiosity and proves to their *surprise* to be a she. (*They* should be surprised? An actress called Glenn and an actor called Mandy?) Maxie, played in double role by Miss Close, reveals herself as a 1920s flapper anxious to resume her film career which was terminated by a car crash. Miss Close, the wife, gets jealous, Mr Patinkin gets unfaithful, and so the merry misunderstandings grind on. A script like this needs charm and fizz. It gets from director Paul Aaron *all the fizz of a flat soda* and from the incisive Miss Close all the charm of a dentist's drill.

So why not visit the Bolshoy Ballet films season at the Barbican? Or perhaps you may care to troll along to the ICA to see *Troll*. This enchanting *Gremlins*-style fantasy-comedy, about mini-monsters usurping an apartment house, has a witty script and five-star special effects. It spearheads a season called "*Empire of the Senseless*" and devoted to low-budget, high-resource fantasy.

Or you may prefer just to lie back and think of Vincente Minnelli. The screen's great colourist and choreographer of images, who died this week, made *Meet Me in St Louis*, *The Bad and the Beautiful*, *Lust For Life*, *The Band Wagon*, *Gigi* and other musicals and melodramas too numinous to mention. Minnelli was Hollywood's presiding genius the last time that cinema threw off the yoke of austerity (the late '40s and the 1950s) and gave us sounds, colours and movements created purely according to the pleasure principle. In the dour mid-'80s we need his like again.

The Petition/Lyttelton

Michael Coveney

This is a feeble and depressing choice of play at the National Theatre: a sentimental two-hander for the suddenly incorporated NT double act of John Mills and Rosemary Harris as a geriatric couple whose twilight morning in Belgravia is disrupted by General Sir Edmund Milne's discovery of his wife's signature in a full page anti-Bomb petition in The Times.

Brian Clark's play was recently directed on Broadway by Peter Hall as a vehicle for Hume Cronyn and Jessica Tandy. I understand it plays 30 performances on the South Bank and moves thence to the West End. I see no artistic justification for its subsidised stopover; this is cynical middle-brow warm-up of William Douglas Home leftovers with a trendy theme and a dash of Rattigan emotional melodrama to *mobilise the second act*. Lady Elizabeth has dodgy insides and has three months to live.

The political conflict between a radical eccentric and a pillar of the army establishment is expressed in the language of domestic tiff and vengeful payoff. Miss Harris portrays a wispy, grey-haired clicker of knitting needles who renounces a first strike nuclear policy along with a whole roster of, as the General has it, queers, lefties, clerics, Neil Kinnock and Ken Livingstone. What a hoot. Sir John offers a spruce military octogenarian ("Officers do not retire; they merely go on half pay") who blames Harold Wilson for his wife's independence of thought—she has gained an Open University degree—and proclaims the deterrent argument of 40 years peace under the Bomb.

The debate, such as it is, is refracted through the personal considerations of a son whose status as a NATO employee would be threatened by his mother's public stance; the counter-punching in the General's knowledge of his wife's infidelity; and a spirited slanging match of sexual recrimination which results in a few dirty words and the General's smashing of one of his wife's artistic alibis—a framed painting of "Sunset Over Lulworth Cove."

Alastair Muir

Rosemary Harris and John Mills

The General was counting the days of Lady Elizabeth's affair with "Rawlings." They agree on a Peace Treaty for her last months, at which point every time the General opens his mouth he puts his foot in her grave. Conviction is sacrificed to flippant theatrical compromise and the General goes off to play bridge at his club as Lady Elizabeth reaches for the petition.

It is all presented on the Lyttelton stage by director Hall and designer John Bury with a sort of hieratic austerity that implies seriousness and "culture." Miss Harris's side of the stage is smart domestic interior; Sir John is framed by a panelled wall. In between, a black chasm is crossed at moments of crisis. A small and extremely modest piece of work has been elevated to a status beyond its theatrical worth.

This is no fault of the players who are, within the limitations of the material, admirable. It is always a joy to see Miss Harris, a bewitching emotional actress who combines frailty and steeliness in proportions only matched in my view by Constance Cummings.

The last time I saw John Mills on stage, in a Pinero adaptation of grotesque witlessness, he was all over the shop. Here, he has manacled his well modulated vocal delivery to a physical performance of spry, controlled expression. His stiff-legged little jaunt along the downstage hearth is a reminder of music hall training, and at the news of impending bereavement he stands, turns and crumples slightly with the tapering elegance of a dancer between leaps.

The hollow slickness of the dialogue ("Were you a virgin at 20?" "Of course not, I was at Sandhurst") gives way to vapid displays of romance turned sour and disbelieving. If this is evidence of the National's new plays policy, taken in conjunction with the sorry treatment recently bestowed on Sarah Daniels in the Cottesloe, one hopes some fresh advice is rapidly sought and sooner taken.

The Golden Age/Covent Garden

Clement Crisp

The Golden Age, which entered the Bolshoy Ballet repertory at the Royal Opera House on Wednesday night, is a work far more complex than may at first appear. Its narrative is, in simplest terms, an adventure story concerning the love of Boris, a young fisherman, for Rita, a cabaret dancer whom he rescues from the dubious surroundings of a nightclub, *The Golden Age*.

But the year is 1923, during that period of limited capitalist freedom in the young Soviet state when the New Economic Policy allowed the more obviously reprehensible activities of black markets and foxtrots to flourish. Thus Yury Grigorovich sets his stage action at a time of political struggle, when the emotional conflict between the worlds of Boris and Rita is also ideologically resonant.

Furthermore, this was an age of exceptional artistic vitality, encompassing the experiments of Agitprop theatre as well as the painterly enquiries associated with the work of Popova, Exter, Lissitsky. And these elements are brilliantly evoked in the tremendous design for the ballet provided by Simon Virsaladze, where we may see vividly put to theatrical use the procedures of Rayonnism and the "popular" use of lettering and words that gave such immediacy to the decorative style of the 1920s in Russia.

But more even than this, there is the history of *The Golden Age* as a ballet to be considered. Originally produced in 1930, its first scenario and its score by Shostakovich fell foul of officialdom, and the piece was to last but one season. By rescuing the score, by entirely re-casting the scenario, Yury Grigorovich can even be said to have produced the ballet that should have been staged in 1930, so potent is its picture of an ardent young State in the process of shaping its future.

It is, of course, the historical perspective given by the passage of half a century that allows the choreographer to focus so sharply, and with a satiric edge that exactly matches the score, upon the world of the immediately post-Revolutionary years. And in the process he has also provided us *with a portrait of his company* as it is in the mid-1980s. This is a Bolshoy whose traditional monumentalism has been streamlined, whose power has tauter muscles, a quicker pulse to its energies.

There results a most exhilarating evening in the theatre. Grigorovich *drives the narrative* at headlong pace, pouring his heroic fisherfolk over the stage in pursuit of the backsliding clientele of *The Golden Age*, but he also has the theatrical acumen to allow the capitalist devil a few good tunes (the best is *Tea for Two*) and many good ensemble dances.

And to give his tale its heart, we have the astounding performances of Irek Mukhamedov and Natalia Bessmertnova as Boris and Rita. I have already reported on the ballet and their interpretations from Germany and Vienna, but there cannot be too much praise for the physical and emotional integrity of Mukhamedov. A giant among virtuosos, he is able to rise above the common run of male dancers in prodigious feats of derring-do, and yet retain a purity and sense of fervent nobility that are ideally served by the role of Boris.

For Bessmertnova, given a part that allows her to be sensual in the cabaret scenes and lyric in her relationship with Boris, the ballet is yet another triumph of her art. For Tatyana-Golikova as a luscious villainess, and for Alexey Lazarev as the evil genius of the piece, great admiration. For the company, unbounded applause for the irresistible drive and vitality of their performance: it is dancing that brings to the story, and to history, an entire credibility.

BBC Symphony/Albert Hall

Andrew Clements

John Pritchard's three Proms in the current season promise to be grand affairs, so that one hardly likes to observe that it must be a long time since a chief conductor of the BBC Symphony Orchestra has been involved so marginally in a season of Promenade Concerts. On Sunday Pritchard will conduct Berlioz's *Grande Messe*, a week later Strauss's *Alpine Symphony*; on Wednesday it was Bruckner's Fourth Symphony. All are likely to be successful occasions; but do they add up to a substantial contribution to the profile of the festival, or indeed *reflect the breadth of* the orchestra's work under its driving force in the last year?

A new expertise in playing Bruckner has been one of the acquisitions of Pritchard's period with the BBCSO. Between them, he and Gunter Wand have covered most of the symphonic canon in public concerts, so that performances now move more idiomatically and confidently than they might have done ten years ago. Pritchard's Bruckner is by no means raw and elemental; there are times, in the slow movement of the Fourth especially, when he cannot resist prettifying the music, rounding its corners and lightening its textures, so that the specific gravity is reduced.

But the finale here was gathered into a coherent and *effective whole almost* unobtrusively, finding a sense of conclusiveness without rhetorical overstatement. The orchestral playing was consistently fine with details, woodwind figures especially, touched in with a light hand. If the performance overall remained less striking than the sum of its parts then perhaps the first movement, unexpectedly lithe and lightweight, was most at fault.

The pairing of Elgar with Bruckner does not seem an obvious one, and *Elgar's Violin Concerto* seems a still less obvious choice. But Ida Haendel's bright, almost brittle account proved an effective foil to the massiveness of the symphony. Her tone, so perfect for the brilliance of the Sibelius concerto, is less appropriate for Elgar's dewy nostalgia and the world-weariness that pervade much of the solo writing. Even the end of the slow movement remained resolutely untearful, though the BBCSO's string section had provided a cushion of encouraging succulence.

Don Giovanni/Glyndebourne

Max Loppert

The 1986 festival season has produced a second Donna Anna for its current Mozart revival; she was introduced at Wednesday night's performance. Edith Wiens, the Canadian soprano, has already made her mark in London concerts. This was her British operatic debut.

She proves a decent addition to the ranks of Glyndebourne Annas. The voice, at least as heard on this occasion, is *not conventionally beautiful* —the tone tends to flutter when soft and spread when loud, and the projection of Italian words has a back-of-the-throat quality that sometimes dulls the line. Yet with such means Miss Wiens works up considerable dramatic intensity. The cries for vengeance were unleashed with dangerous urgency, and elsewhere the passages of palpitation and grief discovered in the music were genuinely touching. She is also very musical, as her negotiation of the more awkward stretches of her second aria showed.

One of the greatest triumphs of the Peter Hall production in its previous appearances has been its suggestion, with the barest of hints and details, that beneath Anna's cool surface fierce fires are burning. In this performance, suggestion was allowed to become rather too overt, and the danger of presenting a case-book neurotic came closer to the surface than it has in the past.

This is not Miss Wiens' fault: other aspects of the evening indicated no less that the revival director, Stephen Lawless, had decided to broaden and make obvious what was secretive, contained, and theatrically tense. Perhaps when Bernard Haitink returns to the pit, as he does next week, sharp focus will return with him. With Andrew Davis and the LPO the performance gets much lively, well-sprung playing, particularly in the second act. But excitement and disturbance have been toned down.

Saleroom/Susan Moore

Dividing the spoils

The success of another year's fierce competition between the two major auction houses was revealed at the release of their world wide auction sales for the 1985-86 season yesterday. Sotheby's reported a turnover of £473,317,000, 6 per cent down on 1984-85 in sterling, but 8 per cent up in dollars, while Christie's £365,180,000 shows an increase of 8.2 per cent in sterling. The previous season had seen Sotheby's sales increase by 17 per cent.

The season was one of expansion and dramatic increase in activity in Europe, as other currencies strengthened against the dollar. Christie's noted an increase from £34.9m in Europe in 1984-85 to £57m, partly due to the phenomenal success of the sale of the Nangking Cargo in Amsterdam (£10.1m) and the dramatic debut of the Monaco office, which in its first two sessions contributed over £7m. Sales in Rome almost doubled to £5.6m. Three seasons ago European sales had totalled less than £15m.

While Christie's admitted a slight decline of 3.5 per cent in New York sales, Mr Michael L. Ainslie, president of Sotheby's Holdings, noted an increased number of major consignments in New York from leading American museums, after the firm's major reconstruction of its North American operations the previous season.

On the home front, all three of Christie's salerooms increased their turnover; sales at Glasgow, for example, were up by 32 per cent to over £7m. Christie's European expansion and Sotheby's expansion at home, through its Conduit Street salerooms and larger premises in Sussex, was a policy also pursued by Phillips. Last season they acquired a further three regional auctioneers—in Par, Folkestone and Ipswich—and according to chairman Mr Christopher Weston, "some eleven firms are now talking to Phillips about *joining this successful group*."

It announced a turnover this season of £56,724,944, 1.5 per cent down in sterling but 2.6 per cent up in dollars. The season 1984-85 sales were up 30 per cent on the previous year's total (buyers' premium is not included, as it is at Sotheby's and Christie's). Bonhams, as usual, are keeping quiet.

While Mr Ainslie believes "This season's results show continued growth without the added benefit of unique major single owner sales," Christie's experience appears to be the opposite. Its salerooms witnessed the £8.1m Mantegna, and the Clore sales in London, Monaco and Geneva as well as the Nangking Cargo in Amsterdam. It announced, too, a total of £25.2m in works of art negotiated as Private Treaty sales.

Compass Theatre to tour Dandy Dick

Anthony Quayle and Margaret Courtenay will lead the cast in a new production of Pinero's comedy *Dandy Dick*, which opens at the Yvonne Arnaud Theatre Guildford on August 26 for three weeks to be followed by a national tour.

This Compass Theatre production is directed by David Gilmore and sponsored by Prudential Assurance and Rank Xerox. It will tour to Richmond, Edinburgh, Plymouth, Norwich, Brighton, Isle of Man, Cardiff, Stoke, Blackpool, Leeds and Bath.

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the birds and mammals. Ends Oct 19.

Leiden, Rijksmuseum van Oudheden. Treasures from Turkey gathers together more than 400 exhibits from 22 museums to provide an overview of the civilisations that left their mark on Anatolia in the course of 1,000 centuries. The first section covers the Stone and Bronze ages, with pottery, delicate figurines and gold ornaments. The second part is devoted to the classical period, from the first contacts with Greece up to the end of the Byzantine Empire, and contains superb Hellenistic statues, a Roman portrait gallery and the treasury of Constantinople. The refined cultures of the Seljuks and Ottomans are explored in the final section, furnished mainly from the Topkapi Museum, with illustrated books, tapestries and embroidered garments. Ends Sep 22.

Utrecht, Catharijneconvent. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century 'Irish Odysseus', are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends August 10.

Amsterdam, Rijksmuseum: Impressionists and their contemporaries in an exhibition of 140 French prints spanning the period 1860-1900, including foreign artists who made Paris their spiritual home. Ends Sept 7.

Amsterdam, Royal Palace: This year's summer exhibition is devoted to the work of Jacob de Wit, an 18th-century Dutch artist likened in his day to Titian, specifically to his vast painting of Moses selecting the Seventy Elders – which lines one wall of the Council Chamber – study drawings of which are now on display below the canvas. De Wit excelled in his *trompe l'œil grisailles imitating* stucco and sculpture, to be seen in this Chamber and the adjoining gallery. Ends Aug 31.

Den Bosch, Noordbrabants Museum. Regional costume and jewellery from the Catholic south of Holland as worn by the ordinary folk of town and country in the period 1500-1940. Illustrated with many surviving pieces, the evolution in design is further traced in paintings, prints and photographs showing the dress worn for high days and ceremonies: baptism, first communion, marriage and mourning. The greatest variety was in the lace caps and bonnets, often specific to a town or village and richly decorated with bows and ruches. The ornate jewellery, or "peasant gold," reflects growing rural prosperity towards the end of the last century. Ends Aug 31.

SPAIN

Madrid, References and Identities. An encounter of prestigious international artists welcoming the inauguration of a new art centre in Madrid; Centro Reina Sofia, Santa Isabel 52. Ends Sept.

Madrid, "Monsters, Dwarfs and Buffoons in the Court of the Austrias. Superb collection of painting by Ribera, Velazquez, Carreno, Verones, Mazo, Antonio Moro, Sanchez Coello, Sanchez Cotan. Grouped together to show the splendid donation by the Fundacion Bertran to the Fundacion Friends of the Prado Museum: Juan van der Hamen's "Portrait of a Dwarf", XVII century. Prado Museum, Edificio Villanueva, Paseo de Prado. Ends Aug 30.

Madrid, Nofret, La Belle, Women in Ancient Egypt sponsored by Catalunyaeps Savings Bank La Caixa with Haus der Kunst (Munich's Egyptian museum) and Cairo Museum, have set up this splendid show to raise funds to build future premises of National Museum of Egyptian Culture in Cairo. This exhibition gathers 96 pieces, including jewellery, brass sculptures, wood boards, and paper fragments that illustrate the significance of women in ancient Egypt. Artistic treasures offer a testimony of Egyptian history over 3,000 years. A must to understand women's role with the family, religion and politics neatly presented in chronological order. Fundacion Caja de Pensiones, Serrano 60. Ends Aug 3.

Santander. Four exhibitions sponsored by Fundacion Santillana: Goya's and Picasso's bullfighting (a splendid contrast of engravings painted by two top Spanish painters in different centuries of popular bullfighting scenes); Ceramics – A Form of Plastic Expression gathers a rich and ample panorama of Spanish ceramics by young artists; Interior Voices: 12 Spanish Realism Painters; and Design and Colours of Guatemala's Textiles. Fundacion Santillana, Santillana del Mar. Ends Aug 30.

NEW YORK

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

Whitney Museum: The largest exhibit ever mounted of Shaker design shows off the strong, simple lines in the furniture, tools, textiles and graphic design of one of the great American Puritan cultures that remained separatist and intact for more than a century. Ends August 31.

Museum of Modern Art: Vienna 1900, including 700 paintings, designs and objects, covers silverware, jewellery, furniture and ceramics, with the Successionists like Klimt and his Golden Style, as well as Kokoschka and Schiele in a comprehensive exhibit that illuminates the birth of modernism. Ends Oct 21.

WASHINGTON

National Museum of American Art: 68 Pueblo Indian watercolours from between the world wars recreate the ritual animal dances among other disappearing tribal customs. Ends August 17.

National Gallery: The first major retrospective of the works of 19th-century American landscapist George Inness traces the artist from the early influence of French Barbizon landscapes through the development of his own soft naturalism with dramatic skies dominating rolling terrains. Ends Sept 7.

CHICAGO

Art Institute: Treasures of Japanese Buddhist Art, the only showing in the Western world of works from the great Todaiji Temple in Nara, Japan, includes 151 statues, handscrolls and intricately designed lacquered objects from the largest wooden temple in the world. Ends Sept 7.

TOKYO

Okura Shukokan Museum: Sculpture and paintings from China and South-East Asia from the museum collection. Okura Hotel. Ends Aug 24.

Seiki Kuroda: 100 paintings and drawings (mainly Western style) by one of Japan's most important artists, who studied in Paris at the end of the 19th century. Despite some Impressionist influences and skill in portraiture, Kuroda seems most at home with Japanese subjects and tones. Tokyo Metropolitan Teien Art Museum, Meguro (Art Deco style former home of member of the Imperial Family set in attractive gardens). Ends Aug 10.

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City lobbies at work

THE House of Lords can be excused for entertaining doubts about the Financial Services Bill. Any attempt to push through a new and ambitious regulatory framework for the securities markets against a tight timetable is bound to be fraught with difficulty. That said, there is surely something rather curious about the way in which Lord Cledwyn of Penrhos, leader of the Opposition peers, and Baroness Seear, for the Liberals, sought this week to bend the ear of Viscount Whitelaw, leader of the Lords, on the issue.

The ostensible cause of their concern was the worry expressed by the Lords and by leading City institutions about the practicality of the proposals. These fears were reinforced by research carried out by Deloitte Haskins & Sells which suggested that less than 20 per cent of London's international securities and investment houses believe the bill would provide a good regulatory framework. And certainly there is little reason to doubt the more general impression conveyed by Deloitte's survey that the bill is less than popular with practitioners in the City's markets.

Further questions

But that is surely how it should be. Regulation is never popular with those who are regulated. Indeed, it would be far more worrying if independent researchers had found that the bill was universally popular. As it is, substantial concessions have been made to the City, and more particularly to those who operate in the Eurobond markets, to ensure that the City's international business is not driven off-shore.

The International Securities Regulatory Organisation (Isro), the proposed self-regulatory organisation for London's Euromarket practitioners, has from the outset been concerned about the imposition of investor protection rules that were designed more for private clients than for the professional investors who dominate international securities dealing in the City.

That concern was no doubt legitimate and it has, to a large extent, been dealt with. Moreover, it is questionable whether the Department of Trade needed to go so far as to concede legal immunity to the self-regulators of Isro, which it did earlier this year. And this week we have seen further questions raised about the pedigree and tenacity of the City's proposed watchdog-in-chief, the Securities and Investments Board (SIB).

Tolerant attitude

One of the fundamental tenets of the bill is that there should be "equivalence" between standards of regulation applying to different types of financial business. Yet the SIB has always adopted a tolerant attitude to the cold-calling and poor disclosure practices of the life assurance industry—practices that are prohibited for securities firms under present legislation.

Yesterday's revised rules from the SIB on disclosure, though tightening up on minor points that have attracted parliamentary criticism, continue to allow the insurance industry to conceal its charges. So while the Stock Exchange is being forcibly introduced to price competition in October, the insurers will continue to enjoy a more comfortable existence, in which the consumer's ability to choose between different policies is hampered by lack of information.

Constructive contribution

Then there is the Treasury's decision to veto the appointment of Mr John Kay, outgoing head of the Institute for Fiscal Studies, to the SIB. Perhaps that says more about the current state of the Department of Trade, which is jointly responsible with the Bank of England for the appointment, than the future of the SIB; but the handling of the incident scarcely inspires confidence.

If the Lords are to make a constructive contribution to the bill, they would do well to worry less about complaints from Isro and more about the credibility of the SIB. The worst of all worlds would result if an attempt to re-open the committee stage in October caused the Government to lose the bill.

Sanctions against South Africa

The rise and fall of Smith's Rhodesia

By Tony Hawkins in Harare

SIX YEARS after imposing economic sanctions on Rhodesia, a British Foreign Secretary signed an independence agreement offering Mr Ian Smith's white minority Government vastly more favourable terms than those it had rejected before, and immediately after, UDI in November 1965. Sanctions were seen to have failed, in the short term, as an instrument of political change.

In the event, of course, the Smith-Douglas Home agreement of November 1971 was overturned when an independent British commission found that it was not acceptable "to the people of Rhodesia as a whole." A further eight years of economic sanctions and escalating guerrilla war followed before Mr Smith conceded the creation of an independent Zimbabwe.

The extent to which South Africa's experience of sanctions will replicate Rhodesia's could turn out to be only minimal, and there are obvious dangers inherent in generalising on the basis of a single case-study. That said, Rhodesia's 14 years in isolation can provide some useful lessons.

What made Rhodesia's economic performance — especially during the 1965-74 period —so remarkable was the obvious vulnerability of the economy to sanctions. In 1965, when sanctions were first imposed, exports accounted for more than 50 per cent of GDP, all the country's fuel was imported, and its economy was dominated by foreign companies, especially British ones. Despite this vulnerability, after a brief adjustment period (1965-68), the Rhodesian economy enjoyed six years of exceptional expansion. Only in 1974 was the sanctions-inspired boom brought to an abrupt and rather startling end by the world recession and the worsening bush war.

Even during the first three years of sanctions (which included one bad drought year) real GDP managed to keep pace with population growth, despite a sharp contraction in both exports and imports and an 18 per cent deterioration in the terms of trade. This was followed by six years of rapid growth, averaging almost 10 per cent annually, fuelled by a combination of export expansion, import-substitution—in agriculture as well as in industry—and characterised by high investment and the creation of 250,000 jobs, four times as many as in the first six years of independence.

Despite comprehensive mandatory UN sanctions, export volumes grew almost 10 per cent annually, more than double the average rate achieved by sub-Saharan African countries during the same period—a vivid illustration of the extent of sanctions evasion. Indeed, in the 10 years to 1975, ferro-chrome exports rose from some Z$3m to Z$40m, sugar exports rose five-fold, while exports of asbestos, steel, copper and meat more than doubled. Tobacco, which in 1965 accounted for 35 per cent of total exports, was the prime casualty of the sanctions campaign. But by the mid-1970s even tobacco exports were only some 15 per cent below pre-sanctions levels, while cotton and nickel were emerging as major foreign exchange earners.

Evasion of trade sanctions was facilitated by false documentation citing neighbouring territories (mainly Mozambique, until its independence in 1975 and South Africa) as the trading partner. And Rhodesia was also forced to accept a discount on exports and a premium on imports. Indeed, in the first two years of sanctions, the country's terms of trade deteriorated 20 per cent reflecting a 14 per cent rise in import prices and a 10 per cent decline in export realisations. However this modest import premium pales into insignificance when set against the doubling of import prices after the 1973 oil crisis.

Again and again, the Rhodesian experience underscores the vital significance of the international economic climate. Strong export expansion and rapid growth in mining output of the sort seen in Rhodesia in 1968-74 were only possible in buoyant world economic conditions when prices for primary products were strong.

Rhodesian mineral output expanded almost 90 per cent in volume during the first ten years of sanctions, reflecting intensive exploration and high levels of investment — much of it the ploughback of blocked funds — by foreign companies. Such mining output growth would never have occurred in the international economic environment of the 1980s with its depressed commodity markets and prices. In this respect, Pretoria faces a very different and much tougher economic challenge.

Growth during the 1968-74 period was underpinned also by far-reaching import substitution and diversification in manufacturing industry and by switching export markets for manufactured goods from Zambia (in particular) to South Africa. Manufacturing volumes grew at 10 per cent annually until 1974.

Another major benefit of sanctions was the enforced diversification of agriculture away from unhealthy dependence on tobacco. While tobacco volumes fell more than 40 per cent between 1965 and 1974, sugar production more than doubled and maize output trebled. Wheat output rose from a mere 2,000 tonnes to 89,000 tonnes and national self-sufficiency was achieved by the mid-1970s. But cotton was the spectacular success story, increasing from 6,000 tonnes in 1965 to 137,000 tonnes by 1974. Livestock output doubled over the same period. New export markets for these products were developed.

Then in 1974, the economy was thrown suddenly into reverse and the sanctions-inspired boom came to an abrupt halt. A confluence of adverse economic trends was responsible.

This third declining phase of the sanctions period was precipitated by the 1973 oil crisis and the associated world recession, high rates of world inflation, the exhaustion of the import substitution drive in manufacturing, growing pressure from Pretoria on Mr Smith to resolve the crisis and —above all—the relentless call-up of all white men under 50. This had a devastating impact on morale. Frequent and prolonged absences from their jobs initially affected efficiency and productivity and subsequently—and more importantly—led to a serious skills haemorrhage as net white migration swung from an annual inflow of 10,000 people in 1971-72 to an outflow of some 12,000 people in 1978.

The initial "easy" import-substitution phase had been exhausted and further diversification depended either on substantial foreign investment, including access to foreign technology and expertise, or increased access to foreign exchange to finance essential inputs of raw materials and intermediate goods. Manufacturing output fell 5 per cent between 1974 and 1979.

The role of the oil price crisis in increasing the effectiveness of sanctions is evident from figures showing that fuel as a proportion of imports rose from 5 per cent in 1965 to over 30 per cent in 1979.

Ironically, it was the Vorster administration in Pretoria in 1976 which used its own economic sanctions, in the form of a transport squeeze, that eventually forced Mr Ian Smith to concede the principle of majority rule at his famous Pretoria meeting with Dr Henry Kissinger, the US Secretary of State.

While sanctions clearly failed in the short-run—their initial impact was indeed the opposite of that intended — they undoubtedly made a major contribution in the longer-term to the goal of majority rule because of the attrition effect on import capacity, on business sentiment, on investment levels, on manpower and on morale. More than 10 years of economic sanctions left Rhodesia struggling to finance the war, especially in foreign exchange terms. From 1975 export volumes began to decline, while by 1979 import capacity was 40 per cent below its 1974 peak and one-third below pre-sanctions levels. The long-run effects of this situation are still evident in present-day Zimbabwe in the form of an ageing and obsolete capital stock and vehicle fleet.

Strong export growth in the early 1970s, tight import and exchange controls, significant private sector investment inflows (primarily from South African companies in the 1968-75 period) and—later—heavy government borrowing from Pretoria to fund the war sustained the balance of payments throughout the sanctions period. The blocking of profit, interest and dividend payments by Rhodesian subsidiaries to parent companies abroad helped keep the balance of payments in the black and also encouraged reinvestment

By 1979 the war was costing more than Z$1m (about US$1.5m) a day, imposing an intolerable burden on a shrinking economy and absorbing more than a third of the national budget. In the final five years of UDI, the white population fell from its peak of 278,000 in the mid-70s to below 200,000, while real GDP was declining at more than 3 per cent annually.

On the political side two general lessons can be drawn. First—an apparent parallel with South Africa—the black population strongly supported sanctions. Secondly, white Rhodesians insisted then, as does President Botha today, that sanctions would not bring about political change. It is Ian Smith's proud boast that he did not lose a single parliamentary seat throughout the years of economic sanctions. Economic hardship, such as it was, impinged more on the blacks, who supported sanctions, than on the whites who opposed them.

There is a close parallel, too, in the position of the frontline states. Three of them—Malawi, Mozambique and Zambia—suffered serious economic hardship as a result of Rhodesian sanctions. Because South Africa is the regional economic superpower and because the degree of regional economic dependence on Pretoria is far greater than in the Rhodesian case, it is a safe bet that the frontline states will be the losers from a period of economic decline and political instability in South Africa.

Four major differences between the Rhodesian experience and the contemporary South African situation are apparent. First—and possibly most important—Rhodesia did not have a serious domestic security problem until 1973, whereas Pretoria already has grave difficulties even before serious sanctions are imposed.

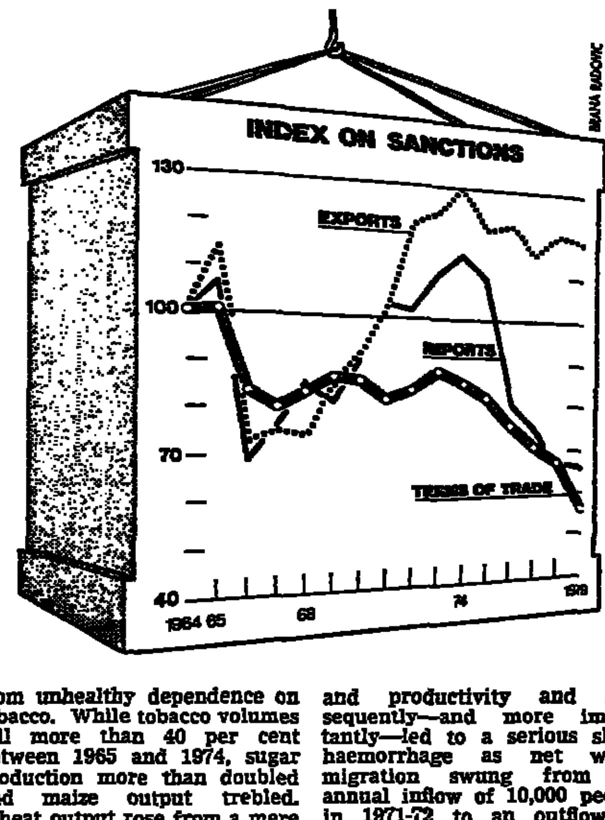
Second, Rhodesian sanctions were seriously enforced only by a handful of countries — especially Britain, the Nordic states and the US. Saturation media coverage of the South African situation suggests that the French, German, Italian, Japanese and Greek sanction-breakers, who paid scant attention to sanctions in Rhodesia's case, will be altogether more cautious this time.

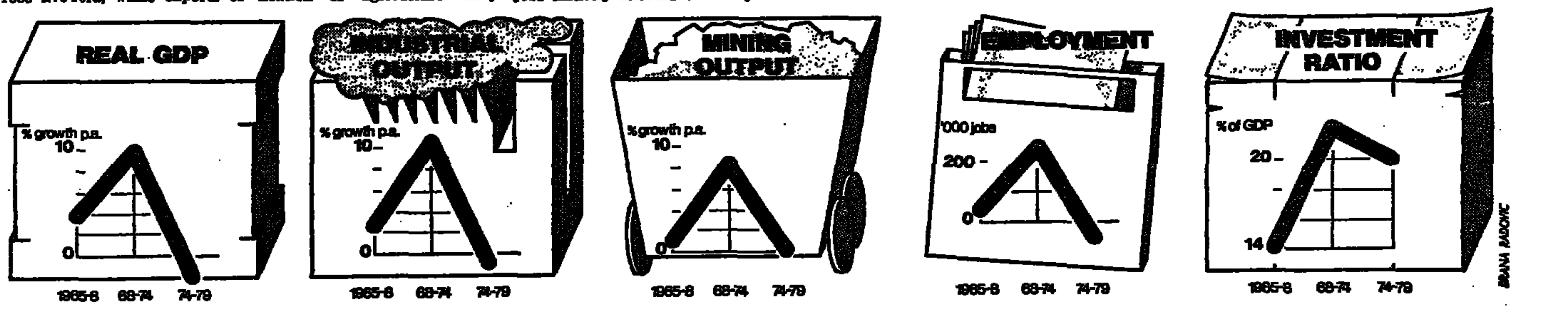
Third, as shown by Rhodesia's experience, economic sanctions are far more effective at a time of sluggish international economic growth, depressed primary product prices, and stagnant world trade. The international economic environment of the 1980s is much more conducive to an effective sanctions campaign than that of the 1960s and early 1970s.

Finally, unlike Rhodesia, Pretoria has no "big brother" to help it circumvent trade sanctions and launder international financial transactions. When British and US companies severed economic ties with their Rhodesian subsidiaries, their South African affiliates were on hand to carry the ball.

Despite the differences, many parallels remain. Clearly, there is scope for further substantial import substitution in South Africa, while its central bank will be able to mobilise domestic savings generating high levels of investment without foreign capital inflows. As in Rhodesia, such finance will be diverted increasingly to non-productive military and security activities. As in Rhodesia, too, the import-replacement strategy will increasingly lose momentum.

Pretoria may weather the first impact of sanctions — though it is most unlikely to match Rhodesia's impressive 1968-74 economic performance — but in the longer run the pressures of attrition, exacerbated by escalating internal unrest on the one hand, and a sluggish world economy on the other, will take their inevitable toll.





Brazil's pact with Argentina

TRADITIONALLY Latin American leaders have had a poor record in translating words into deeds, especially where economic integration is concerned. National self-interest and poor planning have undermined the Andean Pact and rendered moribund the once-promising Central American Common Market.

Thus this week's commitment by President Alfonsin of Argentina and President Sarney of Brazil to lay the basis for closer economic integration, with the eventual aim of a broader regional common market, is bound to be greeted with a degree of scepticism.

At present less than 5 per cent of their combined exports is channelled towards each other, and their industries are more competitive than complementary. Added to this, the two countries have long been political rivals, with two different cultures and languages, and great differences in terms of economic diversification and population size. Brazil has proved a far more dynamic society with a more aggressive attitude towards enterprise and external markets.

Trade barriers

Yet to dismiss the initiative out of hand would not only impugn the integrity of two leaders who are proving models of a new and welcome type of pragmatism in Latin America. It would also underestimate the stirrings of a genuine move in the region to provide greater self-help in the face of what is seen as insufficient understanding by the industrialised nations of its debt problems.

Throughout the four-year-old debt crisis, the industrialised nations and the international financial community have been grudging in their assistance. The need to finance debt repayments through greater emphasis on exports has not been met by any easing of trade barriers either in North America or the EEC, the main markets—if anything the contrary. With protectionism on the increase, there is every incentive for greater self-help and integration.

In a quiet way, Argentina and Brazil have already begun to co-operate more closely. The two countries' austerity packages, the Austral and Cruzado Plans, reflected a considerable interchange of ideas and policy. Discussions have been held on tie-ups between Argentine and Brazilian aeronautical technology and recently both Ford and Volkswagen have been talking of integrating their respective automotive operations.

Capital goods

The most promising aspect of the 12-point protocol lies in its initial narrow focus. The capital goods sector has been singled out as the spearhead for eliminating tariff and non-tariff barriers and reducing third country imports. This is backed up by a series of objectives ranging from moves towards mutual self-sufficiency in foodstuffs and the realignment of export credit policies.

The emphasis on capital goods is particularly important for Argentina because it should concentrate attention on the need to make better use of its technology, improve labour productivity and remove heavy protectionism. It also should be a reminder that Argentine trade cannot rely on agricultural products alone. However, it is of considerable advantage to the two countries that shortfalls in production of Brazilian foodstuffs, such as wheat, can be met from Argentina.

Clear dangers

With Brazil selling to Argentina twice as much as it buys, there are clear dangers of Argentina being absorbed or swamped by Brazilian industry. Naturally, Argentine industrialists are uneasy but the principle behind the protocol is not that Argentina can compete with Brazil across the board, but that freer trade should bring about a more rational distribution of production—as is already being discussed privately in the automotive industry.

These changes need not be utopian if there is political will at the top, domestic stability in these fledgling democracies and a determination by industry in the two countries to take advantage of the opportunities which freer trade could offer.

Men and Matters

Davignon on the bridge?

Viscount Etienne Davignon, the urbane Belgian diplomat and former EEC industry commissioner, seems the most likely candidate so far for the job of heading the CGE-ITT joint venture which will create the second largest telecommunications group in the world.

Davignon is an executive director of Société Générale de Belgique, Belgian's biggest holding group and a partner with CGE in Acec, a high technology business.

Both the French and their American partners believe he would have the stature to head their venture — second only to American Telephone and Telegraph, with sales of nearly $10bn a year, a staff of 150,000, and operations in 75 countries.

During the long and secret negotiations between ITT and CGE, the two companies picked the name "Roxanne" as the code name for the proposed deal.

Rand Araskog, the chairman of ITT, claims not to know why the name was chosen — but, he suggests, it probably referred to someone's wife who was presumably attractive.

The deal has certainly proved most attractive for ITT which stands to gain about $1.5bn in cash as well as to shed a further $800m of its debt to its European partners.

Roxanne, of course, was the ideal love of the legendary Cyrano de Bergerac, the romantic Gascon hero, famous as much for his long nose as his swashbuckling exploits. The new venture will need a man with such a nose for the business.

Meanwhile, the substantial presence of Ambroise Roux, the veteran French industrial king-maker has reappeared at CGE which he headed before nationalisation.

Roux, still one of the most influential personalities in French business, has just been appointed a member of the CGE board, by the French government.

He resigned as chairman in protest against the left's nationalisation plans and was replaced by his managing director, Georges Pebereau. But Pebereau, who orchestrated the deal with ITT, has now, in turn, been replaced by Pierre Suard, vice-president of CGE's Alcatel subsidiary.

In the small conspiratorial world of French big business and political cabinets, the departure of Pebereau and Roux's return are not regarded as entirely unconnected.

Wings clipped

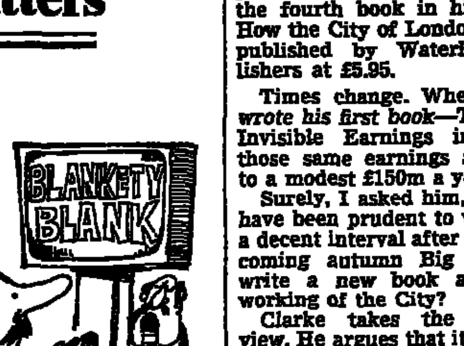
Icarus, as all Classical scholars know, flew too close to the sun and paid the price. John Walker sailed too close to the wind, and yesterday had to make a large down-payment.

Walker laid off himself, his wife Jean, and 15 employees at Walker Wingsail Systems, the Southampton maker of fuel-saving, high-tech sails for merchant and leisure craft. "We are an equal opportunities employer," he says wryly. "None of us will be paid."

The eccentric progress of his company came to a halt under the weight of £310,000 debts. "I think most of our creditors may go along with our reques for a three-month moratorium."

The calculations proving the viability of wind-assisted merchant vessels were torn to shreds by the sharp fall in fuel oil prices during recent months. Even the wind is not free for a ship-owner. The Wingsail system represented an extra capital investment over and above the basic vessel and engines which owners found they could not afford.

Walker still believes the idea will take off in American waters, perhaps in the leisure market. "It looks increasingly as if we will end up as a wholly North American company," he



"Is this Kilroy-Silk's programme or Kinnock's reply?"

says. "It is tragic that we are exporting our technology faster than we are importing tourists" He intends to complete a demonstration yacht rigged with the company's computerised rigid sail system—and show it off during Cowes Week.

His enthusiasm is undiminished. "Technology is immortal, and eventually most ships will have wing thrusters. The trouble is I don't want posthumous success."

City'e Boswell

Bill Clarke, aged 64, now director-general of the British Invisible Exports Council, has been writing books about the financial markets of the City of London since 1956—prompting former premier Lord Wilson of Rievaulx to dub him the City's Boswell.

I'm glad to report that Boswell has found time to do it again. On the very day that the latest official figures put the City's net invisible earnings from overseas at £7.6bn in the past year, Clarke has published the fourth book in his saga—How the City of London Works, published by Waterlow Publishers at £5.95.

Times change. When Clarke wrote his first book—The City's Invisible Earnings in 1956—those same earnings amounted to a modest £150m a year.

Surely, I asked him, it would have been prudent to wait until a decent interval after the forthcoming autumn Big Bang to write a new book about the working of the City?

Clarke takes the opposite view. He argues that it will take at least two years for the dust to settle after the Big Bang before a cool appraisal can be written of the effectiveness of the new systems about to be put in place.

So he has opted to provide simple explanations of how the new gilt-edged and equity markets will work, and how the changes have taken place.

"The City is a moving target at the moment," he says. "It's been the worst writing task I have ever encountered." Such knotty questions as, whether the City is "a good or bad thing," how it can be controlled, are matters he prefers to keep for yet another book.

Health resort

Given their notoriously unreadable prescriptions, the idea of doctors writing all their own letters fills me with foreboding.

But that is just what is recommended to members of the Hospital Consultants and Specialists Association by Dr Alan Shrank, immediate past president, in advice on "how to keep your secretary."

In Shrank's view, secretaries' pay in the National Health Service is "rotten." Top rate is about £6,800 a year. And to stop them leaving for other jobs, he suggests doctors should press for them to be promoted to clerical officer or general administrative grades.

Observer

ECONOMIC THINK TANKS

New platforms for the opposition

By Michael Prowse

FIVE YEARS AGO, droves of academic economists disagreed strongly enough with the thrust of Mrs Thatcher's economic policy to sign a critical petition organised by two Cambridge professors. The breadth of the hostility was quite surprising: the round robin attracted no fewer than 364 signatures, including those of five former economic advisers to the UK Treasury.

It is hard to imagine a similar petition being signed today. This is not because academic economists have since learned to love the Government's policies. Only last year, a poll of UK university departments by The Economist revealed continuing scepticism: 80 per cent of respondents thought that the Government should borrow more to reflate the economy.

There are two reasons why a petition is no longer necessary. First, although the Government's policies may not be popular with the profession at large, they have moved a long way in the direction advocated by the 364 in 1981. Privatisation has masked a good deal of fiscal stimulation. Monetary targets have been more or less abandoned. Hardly anyone now believes the exchange rate should be left to find its own level: even the Chancellor supports full EMS membership.

Second, and equally important, the profession has successfully created new platforms from which to influence the policy debate. A disaffected academic can today vent his spleen in a variety of ways. He can write a pamphlet for the Employment Institute, contribute a long paper to the Oxford Review of Economic Policy, or deliver a lunch-time talk at the Centre for Economic Policy Research, usually well-attended by journalists and civil servants. None of these organisations existed in 1981.

The Oxford Review (known to its friends as Oxrep), was founded in the spring of last year. It is a quarterly journal written mainly, but not exclusively, by Oxford academic economists. In its first issue, the editor, Mr Christopher Allsopp, of New College, attacked the Chancellor's Medium-Term Financial Strategy. He said it was badly designed, lacked an adequate basis in either theory or empirical research and was potentially "de-stabilising". In subsequent issues, which each have a special theme, the journal has been provocative and outspoken on subjects as diverse as the international debt crisis, the causes of unemployment and the role of the public sector.

Dr Dieter Helm, Oxrep's youthful managing editor, makes no secret of the review's ambition to alter the terms of economic policy debate in the UK. "We are to economics what the SDP is to politics," he says. He believes that the Chancellor adopted a "very odd" position in his much-quoted Mais Lecture when he argued that governments can do little directly to influence real variables such as output and employment.

Professor Richard Layard, head of the Centre for Labour Economics at the LSE, conceived the idea of both the Employment Institute and the associated Charter for Jobs, which were launched in May 1985. They are intended as a direct challenge to the Thatcher Government's employment policies, or lack of them. He admits that the charter, intended to be a populist campaign along the lines of the 19th century Anti-Corn Law League, has not taken off as he had hoped. Ordinary people are not yet demonstrating in the streets about the indignity of unemployment; there have been no CND-style marches.

The Employment Institute, despite setbacks (principally its apparent inability to produce the series of expected pamphlets on employment issues), has certainly influenced the debate about unemployment. It has helped to forge a new conventional wisdom, which is that much more could be done to help the long-term unemployed without risking a resurgence in inflation. It persuaded the House of Commons Employment Select Committee to accept, at least in principle, that the Government at a cost of £3-4bn could over a three-year period guarantee a job for everybody unemployed for more than a year.

The Centre for Economic Policy Research (CEPR), which has offices just off Piccadilly in central London, was set up in 1983. It is the brainchild of Prof Richard Portes of Birkbeck College. According to Prof Portes, CEPR's main aim is to rejuvenate Europe's economic profession which he maintains is, by US standards, as sclerotic as its industry. The Centre hopes to achieve a catalytic effect by bringing together scholars from different institutions and countries—it has established a network of 80 or so research fellows who participate in its projects.

Oxrep and the Employment Institute, although independent and without political affiliation, are quite open about the way they want to change the terms of Britain's economic policy debate. CEPR also wants to influence policy—but only by giving academics a platform from which to pronounce: "let them do the research," says Prof Portes, "and tell us not what to think but how to think." He denies that any part of the centre's aim is to challenge the conservative revolution in economics, pointing out that Prof Patrick Minford, the well-known monetarist, is one of his research fellows.

It seems fair to say, however, that much of the research disseminated by CEPR is broadly unsympathetic to the Thatcher Government's approach.

Nor is the early editorial slant of the CEPR-sponsored *Economic Policy, a journal* somewhat similar to Oxrep, likely to go down too well at Downing Street. The first two issues contain articles which, putting it crudely, explain why large government deficits are often no cause for concern, why Third World debtors should not have to pay all of their interest as it falls due, and why much of Mrs Thatcher's privatisation programme is mistaken. Prof Portes argues that, if a majority of the economics profession is critical of government policy, this will tend to be reflected in CEPR publications.

The Institute for Fiscal Studies is another research organisation which has directed intellectual fire on the Thatcher administration. Although formed in the 1970s, the IFS only found its feet in the 1980s under the direction of Mr John Kay, an economic polyglot. Mr Kay's nomination as a member of the nascent Securities and Investment Board, the City regulatory body, was recently vetoed by the Chancellor. It has exposed what it sees as the logical flaws in most of the tax reform proposals put forward by the Treasury, strongly criticised Mr Fowler's social security overhaul, and found fault with the privatisation programme.

It may, of course, be a coincidence that the new "ideas-mongers"—Oxrep, the Employment Institute, CEPR and IFS—are gaining prominence (at least in intellectual circles) at the same time. A catalyst like CEPR has long been necessary if European economics is to match the productivity of the US profession. An Oxford journal on policy, as Dr Helm insists, has been talked about since the Second World War: Mrs Thatcher's elevation only increased the sense of urgency in Oxford. An Employment Institute would probably be necessary whichever party occupied Downing Street.

Conspiracy theorists, however, particularly those of a free-market bent, might be tempted to interpret the emergence of these policy-orientated groups as a phenomenon akin to that of the letter from 364 economists. Is a temporarily winded economics establishment striving to regain the initiative on policy? There are, after all, quite a few cross-links between the organisations and connections with official bodies such as the Bank of England, which was never sympathetic to the monetarist cause.

Dr Colin Mayer, for example, a don at St Anne's College, Oxford, is an associate editor of Oxrep, a research fellow at CEPR and a research associate of the IFS. It is presumably only a matter of time before he pops up at the Employment Institute. Mr Gavyn Davies, a City economist now with Goldman Sachs, the US investment bank and notable for his Labour Party connections is on the board of governors of CEPR (as is Sir Douglas Wass) and a trustee of Charter for Jobs. Mr Kay is on Oxrep's editorial board. Mr Allsopp, Oxrep's editor, worked for both the OECD (in its Keynesian days) and the Bank.

The similarities between the new journals, institutes and research groups should not be exaggerated. They are a heterogeneous bunch. What they seem to share, however, or rather what many of their contributors seem to share is a distrust of ideology, a belief that technical economics should be made accessible to laymen, and a pervasive pragmatic approach. Their output reflects the fact (as did the Economist poll) that most British professional economists would not want to be labelled as either free market or as aggressively interventionist.

Free market and monetarist economists have not been asleep in recent years. The Adam Smith Institute and the Institute for Economic Affairs continue to publish papers and remains influential. The City University Business School, Professor Minford's unit at Liverpool University and other university academics keep the fires of "new classical" economics burning. But the power of these groups to shock or even to surprise seems to have waned.

The sheer volume of papers from the centrist new groups — on everything from privatisation to monetary policy — is bound to leave a mark. For every paper from a body like the IEA adopting a staunchly free-market line, there may be two or three from the likes of Oxrep arguing in some detail that life is really more complex. Civil servants, businessmen and politicians who subscribe to the new publications are bound to have their perceptions of what constitutes a rational economic policy subtly altered. Practical men, as Keynes once remarked, are usually the slaves of some defunct economist.

The outcome of this battle for intellectual superiority is hard to judge. But it does look as though a new, moderate orthodoxy may be taking shape. Many of the contributors to Oxrep, CEPR, IFS and Employment Institute papers appear to share a common, undogmatic and non-ideological approach to economics—an approach which perceives a positive role for both government and markets.

Lombard

Last bastion of deflation

By Anatole Kaletsky

ONE AFTER another, the intellectual citadels of deflationary economics have been falling around the world since the US brought out the big guns of dollar devaluation. As Mr James Baker has swept out the technical monetarists and supply siders from the US Treasury, the doctrines of monetary and fiscal retrenchment have been in full retreat.

Even the International Monetary Fund, in its agreement with Mexico, has had to betray the deflationary orthodoxy—immediate cuts in public sector deficits and measures to maintain huge trade surpluses are no longer seen as necessary pre-conditions for the resumption of economic growth in developing countries or the stabilisation of the world financial system.

After this breakthrough, internationally co-ordinated programmes of long-term lending and limited debt relief designed to revive world trade and reflate the world economy, in an extension of the US Treasury's Baker Plan, may be only a matter of time.

In the UK, which first led the world into the deflationary change, the intellectual climate has changed beyond recognition. Monetary targets are disregarded by both the Treasury and the City; government borrowing has been expanding under the cover of privatisation; and even the symbolism of the Medium Term Financial Strategy is unlikely to survive the next election.

Just one mighty bastion of the old orthodoxy continues to hold out — West Germany. Even Japan, which has been West Germany's great ally against US calls for lower interest rates and fiscal reflation, seems about to succumb with a supplementary budget in the wake of last month's elections.

West Germany, by contrast, seems determined to resist the US-led reflationary onslaught with every intellectual and political weapon. The latest monthly report of the Bundesbank, for instance, reveals a range of arguments collected from some very strange and dusty corners.

Having supported the fierce fiscal tightening of the last four years on the grounds that this was the only cure for excessively high real interest rates, the Bundesbank now argues that interest rates in West Germany have possibly fallen too low in relation to the inflation and the productivity of capital. This argument appears to mark a complete reversal of the effort to overcome inflationary expectations which central bankers around the world have been engaged in for the past decade.

In emphasising the transient nature of West Germany's present zero inflation, the Bundesbank seem almost to be inviting wage bargainers and investors to build their plans on higher inflation assumptions. In stressing that West German bonds, at their present "historically low" yields of 6 per cent, have attracted fewer domestic investors than foreign buyers, who are "guided to a large extent by rather short-term considerations," the Bundesbank appears to be warning West German citizens against tying up their savings in anything but the most liquid—and potentially most inflationary—form.

The reasons for the Bundesbank's stubborn pessimism about inflation are, of course, not hard to come by. The West German authorities believe that their economy will grow at 3 per cent or so this year and next with no further stimulus. Anything much faster would be unwelcome.

The US Treasury disagrees on both counts but it is the second point, about the fastest desirable growth path, much more than any difference in the forecasts for probable growth, which really marks the West Germans out from the growing consensus in favour of demand management to promote faster growth.

West Germany may consider a growth rate of 3 per cent or so as good enough even for the upswing of a business cycle—and thereby implicitly accept the permanent continuation of present rates of unemployment. Other countries may not be prepared to set themselves such unambitious targets. However, given West Germany's economic dominance of Europe, it may take another world recession before this last deflationary bastion finally succumbs—and the economic leaders of the world can start reconstructing a stable international economy over the debris of intellectual warfare.

Letters to the Editor

The case for early retirement

From the Chairman, United Biscuits

Sir, — Unemployment at its present tragically high level has been caused by a combination of factors: lack of vision and courage in managements and unions to invest in and come to terms with latest technology which left us uncompetitive; the massive shake-out from industry in the last decade; the world recession; and the birthrate bulge of the 1960s now working through to the workforce.

We therefore have an abnormal hump in the numbers of people seeking work and we need an interim measure to eradicate that "hump." Since "No one expects a rapid or short-term diminution of mass unemployment" (your Leader of July 24), we should at least attempt to translate the frustration of youth unemployment into the dignity of retirement for people who are nearing the end of their working lives.

It cannot be right to perpetuate a situation in which a large number of school-leavers are unable to find "real" permanent jobs while those who have given a life-time's work to their society continue in jobs when many of them would like to retire early, given the financial security of an adequate *pension*.

No one sector of society can provide a solution. It is the responsibility of the whole nation to contribute to at least an alleviation of the problem in order to give hope, purpose and confidence to the unemployed, particularly the young.

I am therefore advocating a 'special offer,' voluntary early retirement programme, for 1m men over 60, who are members of occupational pension schemes and below a defined pay level (in order to prevent a skills drain). This should create several hundred thousand vacancies.

The success of the scheme would be dependent upon the co-operation of: Government announcing the effective reduction in the retirement age for the duration of the scheme; companies, in effect shareholders, injecting the necessary funds into their pension schemes; and trade unions agreeing to widen the differential between the starting rate and full adult rate to, say, 50 per cent and extending to 21 the age at which adult rate is reached. After the completion of the scheme (ie after 1m men had been taken out of the workforce) the retirement age could be brought down to 63.

My suggestion might be considered costly, but nothing would be more costly than a generation of young people out of work for years, deprived of hope or purpose, ripe for exploitation by extremist agitators whether of the left or the right, with consequent social disruption. I strongly believe that the cost of action to reduce unemployment now could save future generations from incalculably greater costs.

Sir Hector Laing,
Syon Lane,
Isleworth,
Middlesex.

Elections in Mexico

From the Mexican Ambassador

Sir,—I have followed the wide and comprehensive coverage that the Financial Times has devoted to the recent agreement between Mexico and the IMF, touching on wider aspects of my country's economic and financial position. You have provided quite a complete picture of the basic content of the agreement and also a very perceptive analysis of its implications—for Mexico, for other developing debtor nations and for the international economy as a whole, particularly in your leading editorial of July 23. It is therefore very disturbing to read the grossly unbalanced approach chosen by David Gardner to assess the domestic political context of the agreement, in his article of July 24.

I feel compelled to react to the way in which your Mexico City correspondent deals, in no more than four or five paragraphs, with very complex issues of Mexico's internal political situation.

Mr Gardner refers to the recent electoral process in several Mexican states, particularly Chihuahua. In doing so, he gives your readers the views of just one of the opposition parties involved, presenting it as a fair description of reality. He implies that whatever irregularities may have taken place in Chihuahua, they were also present in other states and indeed in every election held in Mexico. The opinions of one minority opposition party do not provide an objective view of the nature of the electoral process in Mexico.

The fight against corruption, a pervasive and widespread malaise in the contemporary world, has been carried out earnestly in the last years. To dismiss its results without evidence in just one sentence is also a disservice to the readers.

A wide segment of domestic and international public opinion would consider President de la Madrid a responsible leader who has endeavoured to solve, in a serene and determined manner, the different problems Mexico is facing, having fully in mind that Mexico's actions are important not only for the country itself but for the entire international community.

Regarding the economic and financial aspects, I should only stress that Mexico certainly maintains its purpose, established by President de la Madrid in his statement of February 21, to adjust debt servicing to the country's real capacity to pay. The understanding with the IMF is a step forward in this direction, which will be complemented by current negotiations.

Jorge Eduardo Navarrete.
8 Halkin St, SW1

Whisky battle in Japan

From Mr E. Tucker

Sir,—With reference to your article (July 28) on the continuing battle in Japan over taxes and duties on whisky, it is vital to avoid falling victim to the beguiling line put out in Japan that imported Scotch whiskies have hardly varied in price in the wake of the appreciation of the yen.

The way in which the price of a bottle of Scotch whisky in Japan is calculated is complicated, and is heavily influenced by a number of factors outside the direct control of the distiller in Scotland. The principal factor amongst these is the intricate grading system, penalising quality, which is applied to whiskies in Japan and which excludes Scotch whisky from all but the top "special" grade of whiskies, where it attracts the highest rate of tax.

The effect of this is to impose straight away more than an extra Y2,000 on the price of a bottle of standard blended Scotch whisky, with further taxes on de luxe blended Scotch and aged single malt Scotch whiskies. This means that Scotch whiskies pay seven times as much tax as Japanese second grade "whiskies" and twice as much tax as Japanese first grade "whiskies."

Thus although Scotch prices at the port of entry have — like other imported products — benefited from the strengthening yen, the Japanese tax structure ensures that Scotch remains significantly more expensive than most Japanese "whiskies."

An 18 per cent gain in the yen/pound exchange rate from Y320 to Y265 to the pound between 1985 and 1986 resulted in savings of only 5 per cent in costs after tax and duty were paid. The single most important reason for this is that the high liquor tax applied to Scotch, which accounts for some 73 per cent of these costs, has remained constant — and is incurred in yen. It is thus not affected by exchange rates.

Scotch whisky imported into Japan also attracts import duty at almost seven times the rate applied to Japanese "whiskies" imported into the EEC.

How would the Japanese react if graded and discriminatory taxes, combined with excessive tariffs, were applied to strategic consumer goods which they export to this country and elsewhere?

The Scotch whisky industry does not seek special favours. What it seeks is fair treatment from an international trading nation.

E. A. Tucker.
Director of Public Affairs,
Scotch Whisky Association,
17 Half Moon St, W1

Equality of the sexes

From Lesley Abdela

Sir,—I have just read the huffy letter by John Lockwood (July 28) bemoaning the fact women retire legally at 60 whereas men do not do so until 65.

The fact is, women get hit in two ways as a result of this legislation: they receive reduced pensions, often inadequate, because they have paid in for less time; and they receive excessive pressure to retire "to make way for others" when in fact they may not want to retire.

The answer is flexible retirement ages for both male and female, not arguments between the two sexes.

Lesley Abdela.
Stroud Hill Farm,
Potterne Wick,
Wilts.

Variations in benefits

From Mr W. Grey

Sir,—Mr Norman Tebbit's suggestion (report, July 28) of unemployment benefits varied in accordance with the varying severity of unemployment in different parts of the country is interesting, but approaches the problem from the wrong end.

Rather, I suggest, what should be varied, in inverse proportion to differing unemployment rates, are national insurance contributions levied on employers, effectively a payroll tax, so as to minimise the disincentive to job creation where it matters most. This should, of course, also help to reduce the unemployment total, and hence the cost of unemployment benefit.

W. Grey.
12 Arden Road, N3.

FINANCIAL TIMES

Friday August 1 1986

BANKS ASKED TO BACK $1.5BN STANDBY PACKAGE AHEAD OF IMF ACCORD

Tall order for Mexico's creditors

BY ALEXANDER NICOLL IN LONDON

MEXICO'S leading creditor banks meet in New York today to begin the long process of hammering out precise terms of commercial banks' participation in a $12bn financial rescue package endorsed by the International Monetary Fund last week.

New bank credit, put preliminarily at $6bn between now and the end of next year, is expected to be extremely difficult to raise. Despite strong backing from the IMF, the World Bank, the US and other governments, banks represented on the 13-member advisory committee believe it will be the toughest deal to sell to smaller creditor banks since the debt crisis first erupted with Mexico's cash crunch nearly four years ago.

More immediately, work is proceeding on providing Mexico with contingency funding to tide it over until the IMF accord, which will depend like all such agreements on the backing of commercial bank creditors, is formally signed. Since it is not clear whether Mexico will actually need the money, a credit of about $1.5bn is being put together as a standby, rather than as "bridge" financing.

Banks are understood to be required to put up about a third of the standby, with the remainder coming from official sources. It is not clear whether the advisory committee alone would be expected to contribute – an arrangement which would have a precedent in a previous bridge loan for Argentina, but which would not necessarily be welcomed by the 13 banks – or whether a broader group would be tapped.

Of the longer-term package, details of what will be asked of banks remain sketchy. Senior bankers caution that it is too early to determine exactly what is being sought, and what will be their response. Outlines, however, are beginning to emerge.

Most important, banks will be asked to play a substantial part in the innovative schemes being planned to compensate Mexico if the oil price falls further and if its economic growth rate does not reach target levels.

Under the first facility, Mexico would receive loans of up to $2.5bn to make up for lost oil revenue if the average price falls below $9 a barrel. Of the total, substantially more than half is expected to be sought from banks, with the rest coming from the IMF. The banks' contribution could be as much as twice that of the IMF.

The second facility provides for Mexico to receive $500m if its economic growth rate falls short of 3 to 4 per cent next year. Although the make-up of this loan is far from clear, it is possible that banks would be asked to provide half, with the other half coming from the World Bank.

These two facilities would thus potentially commit banks to some $2bn of contingent loans, though it is not clear whether this amount would be over and above the $3.5bn expected to be raised from them this year and $2.5bn in 1987. The advisory committee, in any case, will scrutinise these figures and attempt to whittle them down to what they consider to be Mexico's needs.

The major banks, if they recommend acceptance of the package to fellow creditors, will be anxious to stress that IMF-style monitoring of Mexico's economic performance will not be lessened as a result of the switch to more growth-oriented financing as part of the US-sponsored Baker Plan to deal with the debt crisis.

Benigno Aquino murder case may be retried

By Samuel Senoren in Manila

THE COMMISSION set up by President Corazón Aquino of the Philippines to review the trial of the 26 people acquitted last year of murdering her husband, Mr Benigno Aquino, in 1983, has called for the case to be tried again.

It has concluded that deposed President Ferdinand Marcos intervened in the proceedings to secure the acquittal of the 26, led by General Fabian Ver, then Chief of the Armed Forces, and has recommended that the supreme court declare a mistrial and call a new one.

Although the supreme court has the power to order a retrial, it is widely believed that Mrs Aquino will have the final say whether General Ver, who fled with President Marcos to Hawaii in February, and the others are ordered to face the court again. Two of the generals charged are still in Manila, and serving in the armed forces.

Mrs Aquino, who was swept to power in February, had said that Mr Marcos was responsible for her husband's assassination at Manila Airport as he returned home from exile in the US.

The supreme court has given lawyers of General Ver and the other accused 10 days to refute the findings of the commission.

Defence lawyers have argued against a re-opening of the case on the ground that it would subject their clients to double jeopardy. But if the supreme court declares a mistrial, that argument will not hold.

Mrs Aquino, who had said she would like to know the truth about her husband's murder, has given the case low priority.

A new trial, however, could lead to complications and give rise to claims that she is pursuing a vendetta.

EEC fails to back US line on Gatt

By William Dullforce in Geneva

THE EUROPEAN Economic Community, rallying to France's hard-line position on agricultural trade, yesterday brought seven months of preparation for new international trade negotiations to an inconclusive end.

To the anger of the US, the EEC declined to support a draft text intended to form the basis for the declaration with which trade ministers will launch the new round of talks at Punta del Este, Uruguay, next month.

The draft declaration, submitted by Switzerland and Colombia, had the backing of at least 41 of the 91 countries belonging to the General Agreement on Tariffs and Trade (Gatt) and appeared capable of attracting majority support, until the EEC tabled its reservations.

The Community's hesitancy is likely to aggravate tension with the US over trade in farm products and might shake the confidence of other countries in the value of new trade-liberalising talks.

The Swiss-Colombian draft declaration included wordings on how the negotiations would deal with agricultural trade, which had been accepted by the EEC negotiating team and were thought to have met French demands that no reference should be made to farm export subsidies.

The French Government, in the guise of the champion of the Community's Common Agricultural Policy, refused on Wednesday to accept the modified text.

It contained no guarantee that state support for farm exports would be negotiated only within the group handling agriculture, the French claimed. Their demand that the trade negotiations be regarded as a single undertaking had not been met. (That would prevent countries from bargaining off concessions in one field for concessions in another.)

Occidental Petroleum earnings down 67% in second quarter

BY WILLIAM HALL IN NEW YORK

OCCIDENTAL PETROLEUM, the Los Angeles-based oil company headed by 87-year-old Dr Armand Hammer, yesterday reported a 67 per cent drop in second quarter net income to $47.7m. The dividend was again left uncovered even though the results were helped by $44m of after-tax gains on the sale of oil and gas properties.

The company is among the most vulnerable to the recent sharp drop in world oil prices and this is reflected in the "junk" bond rating accorded its securities by the credit rating agencies. However, Dr Hammer stressed yesterday that he believed the "price of oil may be down temporarily, but it won't stay down."

He added: "When the oil price recovery takes place, Occidental will be well positioned for a substantial earnings increase because of the significant reduction in preferred dividends versus year-ago levels and the improvement in operational efficiency."

The company reported fully diluted earnings per share of 18 cents, which included 6 cents a share of extraordinary gains. This compares with earnings per share of 75 cents a share, including an 8 cents extraordinary gain, in the same period last year.

Occidental is paying a 62.5 cents-a-share quarterly dividend. Dr Hammer has said on several occasions this year that he intends to hold the company's dividend and this is the main reason why the shares, currently yielding 10.4 per cent, have not fallen more steeply. Yesterday morning they were trading $¼ lower at $23⅞.

Dr Hammer said that while Occidental's performance in the second quarter was affected by the drop in oil prices, as were other companies in the industry, he was "very pleased with the continued strong performance" of group's non-oil and gas operations.

He said: "During the second quarter, the drop in oil and gas prices from last year's levels depressed Occidental's earnings by approximately $230m, equivalent to $1.43 per share."

The latest results include a full contribution from Midcon, the natural gas pipeline group which it acquired earlier this year in a $3bn cash and paper deal. Midcon contributed $83.1m in the second quarter.

For the first six months, Occidental earned $121.9m compared with $261.6m in the first half of 1985 and sales were $100m higher at $7.5bn.

Austrian fiscal deficit criticised

BY PAUL BETTS IN PARIS

AUSTRIA should step up efforts to cut its fiscal deficit and restructure loss-making nationalised industries, the Organisation for Economic Co-operation and Development (OECD) says in its annual report on the Austrian economy.

The Paris-based agency urges Austria to use its favourable short-term economic prospects to tackle the underlying structural problems of the economy like the budget deficit and the still troubled situation of many state-owned companies.

Lower oil prices should enable the Austrian economy to grow by 3 per cent this year. Unemployment is expected to stabilise at around 5.25 per cent this year and in 1987, and inflation is likely to decline to 1.5 per cent, according to the OECD.

The balance of payments current account is also expected to be in surplus of about US$500m this year.

However, the agency warns that although Austria's economic performance has remained better than the average of OECD countries in Europe, there are "some disquieting features" in the country's economic situation. It adds that unless the Government tackles these problems they could become more serious in the future.

Unemployment, though still much lower than in most other European countries, with the exception of Switzerland, Ireland, Norway and Sweden, has become very high by past Austrian standards. At the same time the federal deficit, which had been reduced to about 2.5 per cent of gross domestic product in 1981, is expected to remain at 4.5 per cent of GDP this year for the third consecutive year.

The OECD also highlights the urgent need for reform in the system of subsidies and loan guarantees to nationalised industries. The total amount of direct government support last year is estimated at Sch 62bn ($4.13bn) and accounted for about 4.5 per cent of GDP. The OECD adds that loss of revenues from tax reliefs and off-budget financing probably doubled the total cost of government aid. It also notes that efforts so far to reduce the losses of nationalised industries have not been successful.

Under the Austrian industrial restructuring plans drawn up last August, state-owned enterprises were due to return to profit by the end of 1988.

Britain set to hold off SA sanctions

Continued from Page 1

they appear willing to trust the Prime Minister and Foreign Secretary to make the detailed decisions.

The main doubt felt by some ministers is whether Mrs Thatcher will be able at this weekend's meeting to avoid an open row and to delay a British commitment to further measures until September or October.

Michael Holman and Robert Mauthner in London add: Mr Malcom Fraser, the former Australian prime minister and member of the Commonwealth group which visited South Africa, yesterday urged Britain and the US to reconsider their opposition to sanctions and argued that the present policies would only serve Soviet interests.

There was a "reasonable chance" that selective sanctions "would work sufficiently on the minds and attitudes of whites in South Africa to cause their government to have a change of heart," Mr Fraser said. If Britain and the US did not lead "substantive action" by the West, black leaders in South Africa would conclude that they had been abandoned by the West.

The Government that would emerge after a long guerilla war "would owe some kind of allegiance to the source of its arm, the Soviet union, . . . and would nationalise the totality of Western financial and commercial interests in South Africa," said Mr Fraser.

Sir Geoffrey Howe yesterday had a 30-minute meeting with Dr Chester Crocker, the US Assistent Secretary of State for African Affairs, during which Sir Geoffrey gave him an account of his recent mission to Southern Africa.

Sir Geoffrey is understood to have told Dr Crocker that he did not believe there was any immediate prospect of winning the Pretoria Government's approval for the release of Mr Nelson Mandela, the leader of the African National Congress (ANC)

Paris raises limit on stakes

Continued from Page 1

lowing the amendments of the mixed parliamentary commission.

The new amendments were criticised yesterday by the Socialist party and a few members of the right including the former Gaullist minister, Mr Michel Debré. But despite President Mitterrand's refusal to sign the original decree, the Socialist Party said yesterday it would not send the legislation before the constitutional council, which has the power to demand changes in legislation.

Under the new legislation, the economy minister can reduce the 20 per cent limit of foreign stakes if national interests dictate.

Craxi to form new government today

BY ALAN FRIEDMAN IN ROME

MR BETTINO CRAXI, the Socialist Party leader who resigned as Italy's Prime Minister five weeks ago, is to meet President Francesco Cossiga today to inform him that he has succeeded in forming a new government.

Mr Craxi is also expected to tell President Cossiga that the new government, to be presented to the Parliament early next week, will include at least five new Cabinet ministers. The Italian Government includes about 30 ministries.

The leaders of the five parties of the Italian coalition Government – the Christian Democrats, Socialists, Republicans, Liberals and Social Democrats – met last night for two hours to negotiate the Cabinet reshuffle. The ministerial changes are expected to be the entry to government of Mr Rino Formica, the Socialist whip in the chamber of deputies, and Mr Fabio Fabbri, the Socialist whip in the senate. Their new jobs have not yet been announced.

The Christian Democrats are expected to change two of their Cabinet ministers, while the Republicans and Social Democrats said last night they would make no changes.

Mr Renato Altissimo, leader of the Liberal party, is expected to step down as Industry Minister in favour of his liberal party colleague, Mr Valerio Zanone.

The compromise agreed to end the Rome crisis should see Mr Craxi stepping down as Prime Minister next March and then pledging his Socialist Party's support to a Christian Democrat prime minister

Accord signed on microchips

Continued from Page 1

in Japan. The Japanese market remains an open one, they said.

Some Japanese industry chiefs have said they would prefer dumping duties rather than suffer widespread price monitoring but Miti said the agreement was aimed at preventing anti-dumping suits.

While the formal announcement contained no mention of a specific market share for US chipmakers in Japan, Miti officials said they had secured an agreement from the main chip purchasers in Japan that a level a "little bit higher than 20 per cent" would be reasonable. They stressed that this figure would include all foreign chip purchases, not just those from the US.

Japanese chip purchases from non-US producers have been very small in the past.

US chip makers were delighted with the agreement.

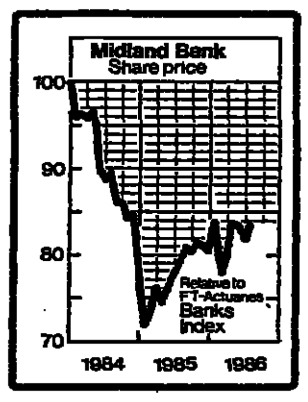
THE LEX COLUMN

Return of the Prodigal

Even the most cautious increase in Midland Bank's dividend, after those years in the Californian wilderness, must be a cause for some rejoicing among the faithful; still more so, to see a dividend covered over three times by attributable profits. Midland's pre-tax profit of £195m for the half-year to June, up 29 per cent, is by no means exciting, representing about half the growth rate boasted by NatWest. But it has at least been arrived at after more solid bad-debt provisions than Midland has felt able to afford in less comfortable times.

The apportionment of those provisions – £210m in all – is still a sore point. Unlike some of its competitors, Midland has not seen its way to convert previously general provisions into the specific variety, thus clearing the way to a lower tax rate. Since Midland is still paying 47 per cent, admittedly an improvement on the 60 per cent rate it laboured under last year, the attractions of identifying the bad sovereign risks and making a specific reserve against them seem quite compelling. To say that the bank's reserving policy should not be tax-driven sounds like only half of the argument; perhaps Midland is worried that some of the bad loans might recover, crystallising the tax that had notionally been saved.

Even as things stand, the falling tax charge is a useful source of earnings growth – along with the securities trading profits that are stowed away in various obscure parts of the profit and loss account. It is clear enough that despite the swelling of Midland's interbank assets – to produce what looks the thinnest of turns – the securities and forex trading operations will have to produce increasing revenues if total profits are to be kept on the move. That may mean that a prospective multiple of about 4 is not as grudging as it looks; but the stigma of a fixed interest share has at last been shed.



Deflation

Hyper-inflation presumably casts a long shadow over the Bundesbank. But the debate on whether to allow a touch of réflation hinges on whether it is possible to risk an acceleration in the annual inflation rate to as much as 1 per cent. Official caution may in part be a bargaining stance, in advance of the hard talking with the US that will no doubt resume in the autumn summit season. But if there is a genuine concern over the balance between nominal and real growth in West German GNP this year, it may well be a paradoxical result of the weakening dollar/D-Mark exchange rate.

The problem is that when the D-Mark strengthens, the GNP deflator regards the movement as inflationary, with falling import prices treated as a signal of rising inflation. If this signal were then misread, a rising D-Mark could become the trigger for tighter monetary conditions, consequently cooling off demand, and so on in a private deflationary spiral that could be the despair of Mr Volcker.

BHP/Elders/Bell

The audience for the great Australian takeover triangle show has been shuffling in its seats for a while now. So the prospect that this drama may have entered its final act raised some weary cheers yesterday. The twists of the plot have been so many that even at this stage the end cannot be predicted with certainty.

Mr Robert Holmes à Court's decision to give a proxy on his 28 or so per cent stake in BHP to Elders, which has another 19 per cent, suggests that he is ready to do a deal. Once Elders has voting control of BHP it could arrange the merger of the two and at the same time buy out Bell Resources' stake. Mr Holmes à Court's book cost is around A$7.60 a BHP share, and if he holds out for A$10 he will end up with a tidy A$850m profit. He may prefer to take assets – from BHP or Elders – instead. And he is likely to increase his stake in Standard Chartered. Meanwhile a merged BHP/Elders may have ambitions in the UK market too, beyond the Elders bid for Allied Lyons. After all Courage is up for sale as well or RTZ might be the next BHP. Even if this is the end, the sequels – "Son of Bell Resources"? – could run for ever.

Lex Service

Recovery stocks that fail to recover soon tire the patience of investors. Enthusiasm for Lex Service has been waning and yesterday's interim figures show why. The electronic component distribution business, which made nearly half of group profits in 1984 and a £1.9m trading loss in 1985, is still not coming right. After a better first quarter, which may just have been stockbuilding ahead of an expected but unrealised upturn, all was quiet again in the second. Until the US economy gets going demand is unlikely to improve much, though yesterday's semiconductor agreement between the US and Japan should help. Lex has worked hard to broaden its customer base so improving its chances of catching the start of a pick up. At least the losses in the US were almost cut out and may vanish altogether in the second half, though in Europe, which suffered later than the US market, the price war has been more severe.

Fortunately for Lex, the Volvo distribution business is purring along with both market share and margins rising. That and the £3½m interest saving after the sale of the transport activities, pushed profits up from £7.9m to £14.8m. A similar pattern in the second half should get pre-tax profits above £30m against £23.6m. Lex will be saddled with a high tax charge until some US profits are made. The prospective multiple of around 14 on the shares at 307p, up 2p yesterday, is not giving much away.

Invisibles

For the City's overseas earnings to have grown at 14 per cent in 1985 seems a surprisingly modest performance, considering the strength of securities markets and the up-turn in insurance underwriting. But since the effective sterling exchange rate rose by nearly a tenth over the year, the overall result may be a bit sleeker than it looks.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	28	82	Malta	S	31	88	Rhodes	S	29	84
Algiers	S	32	90	Edinburgh	C	14	57	Manchester	C	13	55	Rio de J'o	S	25	77
Amsterdam	C	22	72	Faro	S	32	90	Miami	C	28	82	Rome	S	32	90
Athens	S	33	91	Florence	S	32	90	Melbourne	C	14	57	Salzburg	S	28	82
Bahrain	S	37	99	Frankfurt	F	28	82	Mexico City	C	25	77	San Francisco	F	12	54
Barcelona	S	28	82	Funchal	F	22	72	Milan	F	27	81	Seoul	C	31	88
Beirut	S	30	86	Geneva	S	32	90	Montreal	C	16	61	Singapore	F	29	84
Belfast	C	13	55	Gibraltar	S	29	84	Moscow	F	22	72	Stockholm	S	20	68
Belgrade	C	30	86	Glasgow	C	15	59	Munich	S	30	86	Strasbourg	F	29	84
Berlin	S	29	84	Guernsey	F	17	63	Nairobi	F	23	73	Sydney	S	19	66
Biarritz	C	18	64	Helsinki	S	23	73	Naples	S	31	88	Taipei	C	35	95
Bombay	F	30	86	H Kong	R	31	88	Nassau	C	33	91	Tangier	F	24	75
Bordeaux	C	22	72	Innsbruck	F	27	81	New Delhi	F	30	86	Tel Aviv	S	30	86
Brussels	F	19	66	Inverness	R	11	52	New York	R	18	64	Tenerife	S	25	77
Budapest	F	30	86	Islamabad	C	32	90	Nice	S	27	81	Tokyo	S	32	90
B. Aires	F	20	68	Istanbul	F	26	79	Nicosia	C	38	100	Toronto	F	19	66
Cairo	S	32	90	Jakarta	C	29	84	Oporto	S	20	68	Tunis	S	33	91
Cape Town	S	24	75	Jersey	F	17	63	Oslo	R	15	59	Valencia	S	38	100
Caracas	F	28	82	Jo'burg	S	17	63	Paris	F	22	72	Venice	F	29	84
Casablanca	C	24	75	Lima	C	18	65	Peking	F	30	86	Vienna	S	29	84
Chicago	F	22	72	Lisbon	S	25	77	Prague	S	29	84	Warsaw	F	25	77
Cologne	S	29	84	London	F	19	66	Reykjavik	F	10	50	Washington	F	23	73
Copenhagen	S	21	70	Los Angeles	Fg	15	59					Zurich	F	28	82
Corfu	S	30	86	Luxembourg	C	21	70								
Dallas	F	26	79	Madrid	S	31	88								
Dublin	C	15	59	Majorca	S	32	90								
				Malaga	S	33	91								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

BCal, Sabena in North Atlantic pact

Continued from Page 1

BCal said yesterday the plan had been cleared with the US Justice Department and would not violate US anti-trust laws. It had also been cleared with the EEC in Brussels and would not violate the Treaty of Rome, which rules out groups being formed to reduce competition.

The joint service will compete with Delta Air Lines of the US, which flies between Atlanta and Gatwick.

For BCal and Sabena the combination of forces on the route has many attractions. Both are medium-sized airlines which depend on the North Atlantic route for much of their revenue – up to 36 per cent for BCal.

Both have recently undergone retrenchment to cut costs and improve productivity and profitability.

The venture will be watched closely by other European Atlantic airlines, all of which have suffered this summer from lower traffic on the route.

If the BCal/Sabena plan is successful it could become a blueprint for similar operations, both on the North Atlantic route and other routes where traffic is depressed and capacity is excessive.

Sabena is 54 per cent owned by the Belgian Government – the remainder of the shares are in private hands – but there has been speculation in Brussels that its improved financial performance may encourage the authorities to float part of the company on the Belgian Stock Exchange.

Last year Sabena made profits of BFr 320m ($33.6m) compared with BFr 64.4m in 1984. However, the company reported that its operating result had been "adversely affected by lower than forecast unit prices and traffic growth rates and resulting seat factors which also fell short of targets."

Sabena is part of a group of airlines – among them Alitalia, Lufthansa, Iberia and Air France – which operate a maintenance and technical co-operation agreement. This, however, does not extend to the sharing of aircraft.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday August 1 1986

1438
61666

Dart group offered role in store chain

By William Hall in New York

THE DART GROUP, the small Maryland retailer controlled by the Haft family, has dropped its bid to buy Safeway Stores and has been offered the chance to join the investor who announced a friendly $4.2bn takeover of the US supermarket giant last Sunday.

Kohlberg, Kravis, Roberts (KKR), the New York firm which specialises in leveraged buyouts, yesterday signed an agreement with the Dart Group ensuring its support for its $69 a share tender offer for 73 per cent of Safeway's shares.

Under the deal, SSI Holdings, the KKR-controlled company making the agreed takeover of Safeway, will issue warrants to a new partnership which will have an affiliate of KKR as the general partner and Dart as the limited partner. The warrants will permit the new partnership to purchase 20 per cent of SSI's equity at the same price paid by other equity investors with KKR in SSI.

The Dart Group said yesterday it had held discussions with KKR about the purchase of several divisions of Safeway stores but that no agreements had been reached. KKR said it would attempt to reach agreement regarding the purchase by Dart of certain assets of SSI. KKR said that "if an agreement is reached, a part of the purchase price for the assets would be Dart's interest in the partnership.

KKR said that with the agreement it anticipated moving rapidly toward a conclusion of the transaction. "We look forward to Safeway's future as an independent company that will continue to provide its customers with superior quality, service and value."

The Dart Group stands to make a handsome profit on its 5.9 per cent stake in Safeway and now has the chance to participate in the sale of some of the company's assets.

HEAVY LOSSES AT CONTINENTAL AND EASTERN

Fares battle hinders US airlines

BY TERRY DODSWORTH IN NEW YORK

TWO FURTHER US airlines have announced heavy losses in the second quarter, when results from most of the big American carriers have demonstrated the severe impact on profits of the present price war in the industry.

Eastern Airlines, the Miami-based group which is being acquired by Texas Air, suffered a net loss of $44m against net income of $25.5m or 37 cents a share, in the same period of 1985.

Operating revenues fell by a little more than 12 per cent to $1.12bn from $1.28bn, and operating expenses were also down to $1.12bn from $1.19bn, reflecting lower fuel prices.

In the first six months of the year, the airline had a net loss of $154.7m, against a net profit of $49.8m, or 72 cents a share, in the same period of last year, while revenue slid to $2.25bn from $2.49bn.

Continental Airlines, the main operating subsidiary of Texas Air, also incurred a heavy loss of $56.8m, against profits of $35.4m or $1.17 a share, in 1985. These results however, reflected a $58.2m charge for the resolution of bankruptcy claims incurred in the Chapter 11 bankruptcy filing made by Continental almost three years ago.

Operating revenues were slightly up at $475m against $432m, and for the first six months rose to $899m from $796m. In the six months period, losses amounted to $70.1m against net income of $50.4m, or $1.69 a share, in 1985.

Both airlines made optimistic noises about their future when they will both be part of the Texas Air group if the takeover of Eastern goes ahead as planned.

Continental said that the bankruptcy of the company had now been put behind it financially and would clear the way "for continued growth and success."

Eastern said that its results reflected the combination of industry fare discounting and union threats against the company, but added that operations and traffic reflected steady improvement currently.

Safeway pays for independence

BY LOUISE KEHOE IN SAN FRANCISCO

IN NORTHERN California, home of Safeway Stores, a trip to a local branch of the giant US supermarket chain is as pleasant as such an errand can be. Most of the company's stores have been revamped in the past two years to include salad bars, florists, delicatessens, on-site bakeries and fresh fish counters – and a growing number are open 24 hours a day.

The "new" Safeway stores not only meet consumer demands for one-stop shopping but also yield higher profits. This is because many of the luxury items carry above average markups.

Yet Safeway has been slow to upgrade its stores in other parts of the US. According to industry analysts, this tardiness – resulting in low profit margins – made Safeway vulnerable to the hostile takeover bids of the Dart group, a more aggressive Maryland-based retailing group.

"Dart saw an opportunity to improve Safeway's profit margins," said Mr Jeff Atkin of Cable, Howse & Ragen in Seattle. The supermarket chain's US operations have returned a disappointing 1 per cent profit in recent years, half of some main competitors.

One of Safeway's biggest problems has been its high-cost unionised labour. "In some of the most competitive regions of the US, Safeway has been competing with strong, independent supermarkets that have much lower labour costs," said Mr Atkin.

Although Safeway now appears to have avoided the clutches of Dart through a leveraged buyout deal, the company's problems are by no means over.

The $4.1bn deal would make Safeway a private company through a merger with SSI, a holding company formed by Kohlberg Kravis Roberts, the leveraged buyout specialists. Safeway shareholders, whose stock was trading for about $40 before the Dart group's takeover intentions became known, will receive cash and securities worth an estimated $69 per share. The deal leaves Safeway independent but heavily burdened with debt.

Bankers Trust will form a syndicate of banks to raise $3bn to cover most of the cash portion of the deal, but Safeway is expected to have to sell some assets to reduce its debt load.

The group's more profitable UK and Canadian operations are considered the most likely to go. The UK chain is particularly saleable and could fetch as much as $500m. Analysts believe Safeway's Canadian stores might also be put on the block and could yield about $1bn.

Even with such divestments, however, Safeway would be left carrying well over $1bn in debt. Interest payments could easily exceed annual earnings, analysts fear. Last year, Safeway earned only $175m before tax on its US operations.

To reduce its debt further, Safeway may be forced to pare part of its domestic operations. One option is the chain's operations in southern California, one of the most competitive regions in the US.

To increase its profits, Safeway will also be forced to accelerate its modernisation programme. Mr Atkins said: "They will have to do for themselves what Dart would have done to them."

The big question, however, is whether Safeway will be able to afford to upgrade its stores at the same time as paying off its huge debts.

Banco Central earnings rise sharply

By David White in Madrid

BANCO CENTRAL, one of Spain's two largest commercial banks, registered a sharp improvement in its results in the first half of this year, with pre-tax profits up 42 per cent on the same period of 1985 at Pta 15.39bn ($113m).

This figure was after steeply higher write-offs and provisions of Pta 23.29bn, compared with Pta 12.84bn in the first half of last year.

The bank, which recently launched its shares on the London stock exchange, managed to keep the rise in personnel costs to below 7 per cent and the increase in general running costs to less than 2 per cent, Mr Alfonso Escamez, chairman, said in a letter to shareholders.

The earnings rise followed a net profits rise for last year of 4 per cent. Mr Escamez said previous moves to reinforce the situation of some affiliated banks had contributed to the improvement.

Banco de Valencia, a regional bank in which Central has a minority stake and which ran into difficulties last year, showed a pre-tax profit of Pta 1.44bn for the half year, Mr Escamez said.

Deutsche boosted by strong first half

BY DAVID BROWN IN FRANKFURT

DEUTSCHE BANK, the largest West German commercial bank, appears headed for another record result this year after reporting a sharp jump in operating profits in the first half.

As usual, the bank will not specify just how much operating profit it made. But it reveals that parent bank earnings "grew by 54 per cent compared with half the previous year's result" – which (although also unavailable) is believed to be about DM 3bn.

The increase was attributed largely to half the unspecified profits from the big transaction involving Feldmühle-Nobel (the former Flick industrial group) which Deutsche Bank brought to the bourse in a record DM 2bn issue in April.

The bank's earnings on commissions rose 19.3 per cent to DM 830m, while total spending rose 6.4 per cent to DM 2.027bn.

Business volume for the bank rose 4.3 per cent to DM 153.1bn due largely to growth in its domestic market, and for the group as a whole by DM 5bn to DM 247.7bn. Business during the April-June period was termed especially lively.

The bank says a good portion of its earnings will be set aside as provisions against bad debt and country-risks.

The bank brought 11 companies to the bourse in issues totalling DM 3.3bn in the first half. The Flick deal was followed in size by the partial privatisation of Viag, the energy, aluminium and chemicals concern, at DM 765m.

Beyond the special profits from the sale of the Flick empire – thought to run into hundreds of millions of D-Marks – the so-called "partial operating profit", which significantly excludes own-account trading, rose by 66.9 per cent to DM 1.548bn.

This is more than three times faster than the rate of growth achieved during the same period by its big domestic rivals the Dresdner and Commerzbank – which also reported in the past week.

Partial profits at Dresdner climbed 22.2 per cent to DM 502.8m, and at Commerzbank by 20 per cent to DM 437m.

Deutsche Bank's interest profits rose by 28.5 per cent to DM 2.744bn – despite a slight fall in its interest margins – on 7.8 per cent higher average business volume.

De Benedetti insurance group buys into Ausonia

BY ALAN FRIEDMAN IN MILAN

LATINA, the Italian insurance company controlled by Mr Carlo De Benedetti's Cofide holding group, yesterday said it had agreed to buy 50 per cent of Ausonia, a Milan-based insurer with L195bn of premiums.

The Ausonia acquisition, at a cost of L50bn, gives Mr De Benedetti an Italian insurance group with combined premium income of around L400bn.

Latina itself, which Mr De Benedetti acquired control of in March, has 340 agencies. Ausonia has 300 agencies in Italy. The Ausonia deal is to be accomplished by means of a deal with the Geneva-based Sasea holding group, which among its portfolio interests owns 7.5 per cent of Banque Bruxelles Lambert.

Under the deal Ausonia's share capital will be increased from L18bn to L100bn, with Mr De Benedetti's holding subscribing L50bn worth.

Ausonia and Latina are both quoted on the Milan bourse.

Siemens to pay $420m in GTE deal

By Our Frankfurt Staff

SIEMENS, West Germany's leading electricals concern, is to pay $420m for the operations it is taking over from the US telecommunications group GTE, it emerged yesterday.

The GTE US and international transmission systems business, as well as its public switching operations in Italy, Belgium and Taiwan, are to be effectively absorbed by Siemens as part of an 80-20 joint venture, and have combined annual sales of some $500m.

The deal, announced earlier this month, represented a considerable retreat from the amalgamation of the two groups' public switching operations which had originally been planned as a counter to the link between ITT of the US and Compagnie Générale d'Electricité (CGE) of France.

Separately, Siemens also reported a sales slump of 19 per cent in the first nine months of its 1985-86 business year to DM 33.5bn ($16bn), but managed to limit the impact on earnings.

After-tax net profits of DM 985m represented an improved earnings-to-sales ratio, although they were 5 per cent below the DM 1.047bn achieved during the previous period. Siemens predicted earlier this month that it would hold net profits this year at last year's level of DM 1.5bn.

The sales decline to DM 33.5bn is set against the background of significant power station billings by Siemens' Kraftwerk Union building subsidiary during the comparable period last year.

Excluding the power station orders, sales fell back by only one per cent overall and climbed by 10 per cent at home, the company said.

A slight decline in foreign sales – from DM 18.1bn to DM 17.8bn – was attributed to the conversion of a weaker dollar into D-Marks.

Order intake during the nine months fell by 7 per cent

INTL. COMPANIES & FINANCE

CBS warns of falling profits

BY WILLIAM HALL IN NEW YORK

CBS, parent of the biggest of the "big three" US television networks which has been the subject of perennial takeover rumours, has surprised Wall Street by forecasting a "substantial reduction" in its network television profits in the current year and indicating that its earnings would be lower for the second year running.

The company had announced an *18 per cent drop in first-half profits* from continuing operations earlier this month. It has now taken the unusual step of issuing a detailed statement explaining that because of the "weakest network marketplace since 1971," it expected profits of its most important business to fall during the second half of 1986.

Mr Thomas Wyman, CBS chief executive, said that although industry analysts have reduced their estimates for 1986 three-network marketplace growth from 6 per cent at the beginning of the year to 4 per cent more recently, CBS now believed that there would be little or no growth in 1986.

"Following a first-half three-network marketplace that was up only slightly, we expect the second half will be down."

A large part of all advertising on US television networks is sold in the current period ahead of the 1986-87 television season which starts in September.

There have been reports in recent weeks that for the first time in many years US advertisers were paying less money for the same air time on network television and CBS has confirmed this.

The latest news is likely to increase pressure on Mr Wyman, who is trying to turn round the company's fortunes.

CBS's income from continuing operations of $202.6m in 1985 was less than it was in 1981 and it is likely to be lower still in the current year despite a stronger performance by CBS/Records.

Foreign banks lift income in Canada

BY ROBERT GIBBENS IN MONTREAL

THE CANADIAN operations of 55 foreign banks reported strong profits in the second quarter of this year with a combined total of C$33.6m (US$25.8m), up 40 per cent from a year earlier and up 15 per cent from the first quarter.

Citibank Canada, owned by Citicorp of New York, the largest of the *foreign banks in Canada with an asset* base of C$44.6bn reported a net profit of C$7.2m, and Morgan Bank of Canada, owned by J.P. Morgan and Co, New York, was second. It also had the highest return on assets.

For all 55, the average return on assets was 0.46 per cent, several basis points below the domestic chartered banks' average. Average return on equity was 7.05 per cent.

Barclays Canada had profits of C$2m on assets of C$1.6bn. Return on equity was 9.21 per cent and 0.49 per cent on assets. Bank of America Canada had profits of C$634,000 on assets of C$1bn. Many non-North American foreign banks showed losses or minimum profits.

● Two financial services companies controlled by Tower Financial have reported big profits increases for the first half of 1986.

Great West Life Assurance had net operating profits of C$58.2m, or C$26.21 a share, against C$40.7m, or C$20.48 a share, a year earlier.

Premium income was C$1.69bn, up from C$1.07bn.

Investors had operating net income of C$69.8m or C$5.20 a share, against C$54.8m or C$4.04.

Montreal Trustco, the third unit of Tower Financial, has already reported strong first-half earnings. Tower Financial is controlled by Power Corporation of Canada, the holding company of Montreal financier Paul Desmarais.

Cigarette price war damages Imasco

By Our Montreal Correspondent

IMASCO, the Canadian tobacco products, fast food and retailing giant which earlier this year moved into financial services, reported a fall in earnings in the first quarter to C$52.9m (US$40m) or 48 cents a share from C$62.1m or 57 cents a share a year earlier. Net revenues were C$1.11bn, up from C$1.04bn.

The decline was due to lower tobacco products earnings following a severe price war in the cigarette market in Canada. The tobacco division's contribution to operating profit was down by a third.

However, Imasco said this factor would be short-term and it remained *committed to overall* earnings growth for fiscal 1987.

● The dispute over the future ownership of Hiram Walker Resources' distilling business may be settled in the Ontario Supreme Court following a trial due to start on September 29.

Allied-Lyons argues that the previous management of Hiram Walker sold the distilling assets to itself (Allied) for C$2.6bn (US$2bn) as part of a strategy to defeat the Reichmanns' takeover bid for Hiram Walker.

N. AMERICAN QUARTERLY RESULTS

ALCO STANDARD
Office products

Third quarter	1985-86 $	1984-85 $
Revenue	1.14bn	1.01bn
Op. net profits	16.7m	17.7m
Op. net per share	0.80	0.79
Nine months		
Revenue	3.21bn	2.79bn
Op. net profits	43.0m	46.8m
Op. net per share	2.00	2.24

CORROON AND BLACK
Insurance broking

Second quarter	1986 $	1985 $
Revenue	78.4m	63.1m
Net profits	8.23m	6.21m
Net per share	0.45	0.34
Six months		
Revenue	159.1m	124.8m
Net profits	18.8m	12.9m
Net per share	1.02	0.70

HOUGHTON MIFFLIN
Book publishing

Second quarter	1986 $	1985 $
Revenue	83.5m	72.3m
Net profits	7.5m	6.7m
Net per share	1.07	0.97
Six months		
Revenue	120m	105.6m
Net profits	1m	784,000
Net per share	0.15	0.11

SOUTHLAND CORPORATION
Convenience stores

Second quarter	1986 $	1985 $
Revenue	2.9bn	3.3bn
Net profits	81.6m	88.7m
Net per share	1.64	1.88
Six months		
Revenue	6.08bn	6.1bn
Net profits	6.9m†	89.7m
Net per share	0.25†	1.90

† Loss

BORDEN
Dairy and food products, chemicals

Second quarter	1986 $	1985 $
Revenue	1.34bn	1.2bn
Net profits	52m	46.3m
Net per share	0.70	0.59
Six months		
Revenue	2.57bn	2.27bn
Net profits	86.6m	80.9m
Net per share	1.18	1.03

GENERAL PUBLIC UTILITIES
Electric power

Second quarter	1986 $	1985 $
Revenue	652.2m	673.3m
Net profits	30.1m	13.0m
Net per share	0.48	0.21
Six months		
Revenue	1.43bn	1.44bn
Net profits	94.0m	47.1m
Net per share	1.51	0.75

KERR-McGEE CORPORATION
Energy

Second quarter	1986 $	1985 $
Revenue	825.7m	846.0m
Net profits	3.2m	40.6m
Net per share	0.07	0.77
Six months		
Revenue	1.34bn	1.85bn
Net profits	25.3m	63.1m
Net per share	0.52	1.31

TONKA CORP.
Toys

Second quarter	1986 $	1985 $
Revenue	72.2m	63.6m
Net profits	6.5m	6.1m
Net per share	0.87	0.93
Six months		
Revenue	125.4m	107m
Net profits	10.3m	8.3m
Net per share	1.47	1.43

INTL. COMPANIES and FINANCE

Denmark taps fixed rate sector with $500m bond

BY CLARE PEARSON

THE KINGDOM of Denmark, which is borrowing heavily in the Eurobond market this year in the face of a hefty balance of payments deficit, yesterday raised $500m through a deal led by Credit Suisse First Boston.

The issue has enabled Denmark to lock into an interest rate of 7 per cent, but only for three years. Mr Nils Erik Sorenson, a senior Danish Finance Ministry official, said yesterday that Denmark's policy was to take advantage of specific borrowing opportunities as they arose in the Eurobond market this year, even for relatively small amounts and short maturities.

In this case, the opportunity was provided by strong investor demand for short-dated fixed rate bonds, arising from a wish among investors to shorten portfolio maturities because of uncertainty over the direction of interest rates.

Credit Suisse First Boston said that there had been considerable investor interest in the issue, which was priced at 100¼, though prices were quoted at discounts just wider than the 1⅞ per cent total fees.

Mr Sorenson said that Denmark was keeping $1.05bn of its borrowings this year in fixed rate dollars, while the rest had been swapped into other European currencies and floating rate dollars.

Denmark expects to borrow about a further $1.5bn from various sources of funds during the rest of the year.

Another borrower that attempted to tap demand for short-term paper yesterday was Xerox, which issued two $100m bonds, one with a four-year life. Though both deals were selling slowly, the shorter-dated issue was attracting the greater interest.

Xerox's credit rating was downgraded by Standard and Poor's, the rating agency, on Wednesday from AA-minus to A-plus. Nomura International, which led both deals, said that this had been beneficial, since it had removed uncertainty among investors about the company's standing.

Xerox Credit Corporation issued a four-year, 7⅞ per cent bonding priced at 100⅞ to yield 75 basis points over comparable US Treasury bonds at launch. Xerox Corporation issued an 8⅞ per cent 10-year bond, priced at 101⅞ to yield a differential of 1 per cent over US Treasury bonds.

Overall, the dollar fixed rate market traded quietly. In the floating rate note sector, Wednesday's perpetual floating rate note for Lloyds Bank continued to be quoted above its issue price.

The Deutsche Mark market saw prices rise by about ½ on average yesterday on higher turnover which dealers said arose from the weakening dollar. In particular, supranational issues were attracting foreign buying.

In the Swiss franc market prices were basically unchanged in low turnover. A recent issue for Montreal Urban Community was quoted at 104 in after hours trading.

Two borrowers issued bonds where redemption is linked to the Canadian dollar/Swiss franc exchange rate. Unilever borrowed SFr 50m with a five-year issue, priced at par with a 6 per cent coupon. Montreal Trust Co issued a SFr 30m five-year bond priced at part with a 6¾ per cent coupon. Swiss Bank Corporation led both deals.

Hughes Tool in $270m deal

By Our New York Staff

HUGHES TOOL, the US oil services company which has suffered heavily from the slump in the energy sector, is to acquire Combustion Engineering's Vetco Gray division for $270m in cash and securities.

The deal follows Combustion Engineering's decision last year to sell major portions of its oil and gas equipment and service businesses as part of a strategy to develop its position as a worldwide supplier of process and power industries.

Vetco Gray, based in Houston, had sales last year of approximately $340m.

The transaction will involve a reshuffling of Hughes Tools' own assets, with its offshore division put into a new company.

Time in Euromarket move

BY OUR EUROMARKETS STAFF

TIME, the US media group, is selling 20 per cent of its shares in American Television and Communication (ATC), its cable television subsidiary, in a deal raising up to $360m. First Boston is arranging the sale of 14.5m shares in the US while 3.5m shares will be sold in the Euromarket by a syndicate led by Credit Suisse First Boston.

Time will retain 94 per cent of the votes in ATC after completion of the sale, since it will hold all the company's B shares, which confer three votes each. The public shares will be designated A shares, with one vote each.

Terms of the sale should be fixed in the week beginning August 11, and the shares will be priced at between $17 and $20 each.

● Skane-Gripen, a diversified Swedish industrial concern, has raised SKr 108m with an international placing of 2m new non-voting B shares.

The placing, arranged by Shearson Lehman Brothers International, is the company's first venture into the international equity market. It was priced at SKr 54, the trading price at the time in Stockholm, and the shares were quoted yesterday at SKr 56.

Skane-Gripen makes or distributes products including label printers, airport display boards, parquet flooring, agricultural vehicles and musical instruments including Armstrong trumpets. In 1985 it had pre-tax profit of SKr 160m.

Yen-yen swaps grow in popularity

By Yoko Shibata in Tokyo

COMMERCIAL BANKS operating in Japan have found a profitable new way of getting around the regulations preventing them from dealing in long-term loan markets.

Their scheme, involving so-called yen-yen swaps, is now becoming a popular form of fund raising for corporations. The banks themselves are tightlipped about the size of their yen-yen swap business, because they do not want the authorities to clamp down on it.

The Bank of Japan has been monitoring the swaps activity, although officials say the central bank has no intention of imposing regulations. A Bank of Japan survevy in June suggested that swaps had been applied to more than Y100bn of debt since the beginning of January, and the officils believe the figure may have doubled since June.

Of that new total, the authorities estimate that some Y50bn was handled by Japanese banks and the remainder by foreign banks operating in the country. Most of the counterparties involved have been large trading houses or manufacturers.

The basic idea of the swaps is that the bank agrees with a corporation to exchange the liability for interest payments on a given amount of the short-term Euroyen deposits, CDs or bills it (the bank) holds for the interest payment liability on some of the corporation's long-term borrowings.

For the corporation, the swap offers the prospect of a reduced interest rate burden. This is attractive to financially strapped companies, such as shipbuilders, that a few years ago made large long-term loans. And the commercial banks thus manage to win corporate customers back to bank lending.

In one recent case, Showa Denko, the chemical company, saved Y100m through a Y5bn interest rate contract to swap the 8.5 to 9 per cent liabilities on some of its long-term borrowings for the liability for interest payments on a commercial bank's six-month Euroyen deposits.

Thanks to the sharp fall of interest rates on six-month Euroyen deposits in line with Japan's three discount rate cuts this year, Showa's interest rate savings has been 3 to 3.5 per cent rather than the planned for 1.5 to 2 per cent. As a result, the company was able to pay down some of the principal on its high interest long-term loans.

So far, the commercial banks have used foreign banks in Japan as intermediaries so as not to attract the attention of the regulators. Japan has strict rules restricting various types of banks to different segments of the market.

However, these rules are under increasing strain because of liberalisation moves and increased competition in Tokyo's huge financial market. The emergence of the yen-yen swap is just another manifestation of both the strain and the innovation occurring in the market.

However, the authorities appear to be taking a laissez faire attitude to the swaps for the time being, perhaps because the volume is still relatively small, being less than a tenth the size of the well established yen-dollar swap market.

As a result, the commercial banks are now planning to do swaps directly with their customers. They are considering two types.

● Customers with long term fixed interest debt may reduce their interest burden by paying floating rates to the bank. For example, the bank might agree to take on the 8 per cent fixed interest obligation on the company's long term debt. In return, the company would pay the 4.7 per cent cost of some of the bank's six-month Euroyen deposits plus a margin of 2 per cent.

The disadvantage of this type of deal is that it exposes the customer to interest rate fluctuations.

● Alternatively, a customer with floating rate liabilities could lay off its interest rate risk by agreeing to take on some of the fixed interest rate obligations of the bank, at a higher rate of interest.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on July 31

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	[illegible]	[illegible]	[illegible]	[illegible]	9.49
Atlan. Richfield 10¼ 00	250	[illegible]	[illegible]	[illegible]	0	9.33
Australia Com. 11 95	200	[illegible]	[illegible]	0	[illegible]	8.52
Australia Com. 11¼ 00	100	[illegible]	[illegible]	[illegible]	[illegible]	9.32
BP Capital 9⅛ 94	100	[illegible]	[illegible]	[illegible]	0	8.49
BP Capital 11⅛ 92	150	109	109½	0	[illegible]	8.90
Campbell Soup 10½ 95	100	[illegible]	[illegible]	[illegible]	0	8.67
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	7.92
Canada 11½ 90	500	[illegible]	[illegible]	[illegible]	[illegible]	7.43
Canadian Pac. 10¼ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	9.03
CEPME 10⅛ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	8.06
Citicorp 10 88	200	[illegible]	[illegible]	0	0	7.57
Citicorp 10⅜ 95	200	105	105½	[illegible]	0	9.56
Credit Lyonnais 9 91	200	[illegible]	[illegible]	[illegible]	[illegible]	7.84
Credit National 9⅛ 93	150	105	105½	[illegible]	[illegible]	8.05
Denmark Kingdom 7¾ 93	250	[illegible]	[illegible]	[illegible]	[illegible]	8.04
Denmark Kingdom 8¼ 91	300	101½	102	[illegible]	[illegible]	7.83
Denmark Kgdm. 11½ 92	100	[illegible]	[illegible]	0	[illegible]	8.00
EDC 8½ 92	100	[illegible]	[illegible]	0	0	7.95
EEC 8¼ 96	100	[illegible]	[illegible]	[illegible]	[illegible]	7.93
EEC 8⅝ 91	250	[illegible]	[illegible]	[illegible]	0	7.57
EEC 9⅝ 90	350	[illegible]	[illegible]	0	0	7.59
EIB 10¼ 94	200	[illegible]	[illegible]	0	[illegible]	8.47
EIB 12 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.25
Eli Lilly 10¼ 92	150	[illegible]	111	[illegible]	[illegible]	7.97
Export Dev. Cpn. 10 90	100	[illegible]	[illegible]	[illegible]	[illegible]	7.47
Fed. Dep. Strs. 10⅛ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	8.42
Ford Motor Cred. 10½ 91	150	[illegible]	109	0	[illegible]	8.36
Ford Motor Cred. 11⅛ 90	100	[illegible]	[illegible]	0	[illegible]	8.11
Gen. Elec. Cred. 10¼ 00	200	[illegible]	[illegible]	[illegible]	[illegible]	9.36
GMAC 10¼ 89	200	[illegible]	[illegible]	[illegible]	0	7.61
GMAC 8½ 93	200	101½	102	[illegible]	[illegible]	8.15
IADB 9⅞ 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

US QUARTERLIES

ALCO STANDARD	1985-86	1984-85
Third quarter	$	$
Revenue	1.14bn	1.01bn
Op. net profits	16.7m	17.7m
Op. net per share	*0.80*	*0.79*
Nine months		
Revenue	3.21bn	2.79bn
Op. net profits	43.0m	49.8m
Op. net per share	2.00	2.24

CORROON AND BLACK	1986	1985
Second quarter	$	$
Revenue	78.4m	63.1m
Net profits	8.23m	6.23m
Net per share	0.45	0.34
Six months		
Revenue	159.1m	124.8m
Net profits	18.6m	12.9m
Net per share	1.02	0.70

GENERAL PUBLIC UTILITIES	1986	1985
Second quarter	$	$
Revenue	652.2m	673.3m
Net profits	30.1m	13.0m
Net per share	0.48	0.21

INTERNATIONAL COMPANIES and FINANCE

Bell gives BHP proxy to Elders

BY ROBERT KENNEDY IN SYDNEY

MR Robert Holmes à Court, the Perth-based financier, is to allocate voting rights on his entire 27 per cent stake in Broken Hill Proprietary to Mr John Elliott, chairman of Elders IXL, for exercise at the BHP annual meeting called for September 23.

Elders already holds close to 20 per cent of BHP, the energy and metals group which is Australia's largest company.

Mr Holmes à Court, chairman of Bell Group, said that the move was intended partly to dispel the notion that the meeting could develop into a proxy battle. "This situation does not need conflict, it needs clarity."

Sydney analysts suggested motives for granting the proxy, which ranged from him seeking to indicate that he may be ready to sell his BHP holding, to attempting to drive a wedge between Elders and BHP.

BHP has announced that it plans to appoint Mr Elliott to the board of the company, but has expressed reluctance about offering the same opportunity to Mr Holmes à Court, because he could become privy to information which would not sit easily with his position as a trader of BHP shares.

BHP was relaxed in its response yesterday. Mr David Adam, an executive director, said he felt the latest tactic of Mr Holmes à Court to be theatrical rather than one of great substance, and it would make little difference to the outcome of the meeting.

Outside of normal business, the only notable motion to be put to the meeting was that the company be allowed to increase its authorised capital, Mr Adam said.

Mr Holmes à Court added that he had decided to give Mr Elliott the option to vote the Bell shares at the meeting because "it gives him some measure of authority and does not disadvantage our shareholders."

At last year's meeting he had granted the same right to Sir James Balderstone, BHP chairman. He had decided this year to go with Mr Elliott because he felt the shares might be more potent in his hands than with anyone else.

Mr Holmes à Court said he had yet to talk to Mr Elliott about this latest move.

The Bell chairman insisted he had no tangible objective in mind.

"We have granted John Elliott a proxy for one specific meeting. He can reject the offer if he wants to, or he can take the shares and support the board and the management of BHP to the hilt. We have offered no direction spoken, unspoken, or otherwise on how he should vote."

Oil price slide leaves Santos 10% lower

THE IMPACT of plunging oil prices on Australian oil company results is evident in a 10 per cent reduction in revenue in the June half by leading Cooper Basin producer Santos, writes Robert Kennedy in Sydney.

Santos incurred the revenue dip to A$317m (US$132m) for the period despite the strong increase in crude oil and condensate output.

The drop in revenue was even more marked between the first and second quarter when crude oil revenues fell 35 per cent to reflect a 50 per cent cut in the import parity price of Australian oil since March.

The boost in Santos production in the June quarter is in line with policy outlined by Sir Brian Massy-Greene, chairman, at the May annual meeting. This was designed to maximise production so that this year's cash flow would match that generated at high prices last year.

Santos crude oil output for the June quarter rose by about 19 per cent over last year, but crude oil revenue fell by almost 32 per cent to A$42m in the three months. The group's share of condensate production rose to 33 per cent for the June quarter, but revenue fell 47 per cent to A$11m.

Rothmans Industries seeks bid clearance

By Dai Hayward in Wellington

THE New Zealand-based Rothmans Industries, which is itself the target in a takeover battle, is seeking clearance from the country's Commerce Commission to acquire up to 100 per cent of Dominion Breweries, the second largest brewery and hotel chain in New Zealand.

Rothmans says the application to the commission does not necessarily mean it will go ahead with a takeover bid for Dominion, but it wishes to clear the way for the move.

Rothmans Industries, which in addition to cigarette manufacturing, also has interests in liquor, grocery distribution and property, had recently decided to sell the bulk of its business to Rothmans Holdings of Australia.

The planned sale, for NZ$81m (US$42m), included shares in various New Zealand and Western Samoan companies. Rothmans Industries is a 21 per cent affiliate of Rothmans International of the UK, while the Australian operation is half-owned by the British group.

The move was blocked by Rainbow Corporation, a New Zealand investment company, which offered NZ$90m for the assets being sold. When this offer was rejected by Rothmans New Zealand, Rainbow went to the High Court and obtained an injunction delaying the sale to the Australian unit. An appeal by Rothmans Industries against the interim injunction was dismissed by the Appeal Court in late July.

Rainbow then launched a full bid for Rothmans Industries, but gave an undertaking to the High Court that it would not register any shares acquired through an earlier offer for 50 per cent control without court permission.

The application to the commision by Rothmans Industries, if successful, will give it the right to acquire Dominion Breweries.

The move by Rothmans could be an effort to forge a stronger company too big for Rainbow to swallow.

Merging the two companies would create a combined group with assets of NZ$500m and annual turnover of some NZ$1bn.

In its bid for Rothmans Industries, Rainbow is offering one o fits own shares plus 50 cents in cash for each Rothmans share.

● Woolworths, the independent Australian retail chain, has agreed to sell its 15.7 per cent stake in L. D. Nathan, for about NZ86.7m to a group of New Zealand investors acceptable to Nathan, Reuter reports from Sydney.

Dead Sea Works 25% ahead as income rises

BY JUDITH MALTZ IN TEL AVIV

DEAD SEA WORKS, a subsidiary of the government-owned Israel Chemicals Group and the country's largest natural resource concern, has emerged as Israel's largest profit-maker for the latest year.

Mr Aryeh Shachar, the Dead Sea Works managing director, said the company and its wholly owned subsidiary, Bromine Compounds, had increased their profits by 25 per cent to US$63m for the year to March.

Dead Sea Works alsone posted profits of US$49m, up 37 per cent from the previous year. Its main products are potash and salts.

This considerable increase was attributable mainly to the doubling of the group's non-operational income and to accounting changes resulting in a significant easing of its tax burden.

Mr Shachar noted that the results were especially impressive considering the slump in the world potash market. Dead Sea Works managed to increase its potash production slightly this year to just under 2m tonnes. But because of lower prices offered in the world market, revenues were down by 6 per cent to US$189m.

Messina reduces deficit

BY JIM JONES IN JOHANNESBURG

DIFFICULTIES in marketing anthracite in Europe have led to a drop in the mining profit of Messina, the South African copper and anthracite mining company, during the first half of this year.

Nevertheless a return to profits by the industrial interests resulted in an increase in the group operating profit while a lower interest bill helped reduce the interim pre-tax loss.

First-half turnover fell to R93.4m ($35.85m) from R103.6m in the first half of 1985 and operating profits rose to R4.52m from R2.61m. The pre-tax loss was reduced to R865,000 from R5.61m.

Earnings were 4.7 cents a share against last year's interim loss of 45.4 cents and a loss of 180 cents for 1985 as a whole. Dividends have not been paid since 1983.

The directors expect earnings to improve in the second half

Extraordinary costs hit Macarthys

THE COSTS of reorganising Macarthys Pharmaceuticals wiped out profits in the 12 months to April 30 1986.

Pre-tax profits came out at £4.21m (£4.06m) with a tax charge of £1.67m (£1.89m) and minorities of £10,000 (nil). However extraordinary debits, net of tax, totalled £3.86m (£1.21m) leaving an attributable loss of £1.36m, compared with a profit of £929,000 last time.

The directors, led by Mr Nick Ward, chairman, who took over the running of the company during the period, said the benefits would not begin to accrue in the present period, which has been extended to 17 months to the end of September 1986 but results would be seen in the next financial year.

External sales for the 12 months were £269.65m, down from the previous £285.71m. Earnings per 20p share, before extraordinaries, came out at 19p (16.2p) and a second interim is being paid of 6p to make a total to date of 9.5p, compared with a total payment for the previous 12 months of 8.2p.

The directors said that a final would be proposed in December for the 17-month period.

Extraordinary items included £1.51m arising from the re-assessment of the value of stocks and other current assets resulting from new management policies, accelerated depreciation of £788,000, dilapidations and fall in value of certain properties of £658,000 and additional charges for reorganisations initiated by the previous management of £1.06m.

The results in the pharmaceutical distribution division, which at £2.46m (£2.7m) provides the bulk of Macarthy's taxable profits, were disappointing said the directors. They blamed the reorganisation undertaken by the previous management which they said had been carried out too quickly.

They added that although much work remained to be done there were good businesses in the group and they believed that all could be made to perform better. It was expected that all costs of further reorganisation would be charged as extraordinaries for the period to the end of September 1986.

● comment

When the Jadelle concert party successfully failed to win Macarthys Pharmaceuticals, the City hailed this as evidence that a new role for the smaller institutions had been found. Instead of selling out of dull stocks (seen as irresponsible short term thinking by some) they could gang up and make a bid which was designed to fail but would force the changes seen as necessary. And Jadelle's bid was a classic of this type. Five months on, however, there are £3.7m of extraordinary costs below the line, many with an exceptional look about them, which an old fashioned takeover would have swept up in acquisition accounting. However, with one eye on the £4½m forecast by the overthrown management, the new team under ex-Guinness retail boss Nicholas Ward was perhaps leery of taking anything much on the chin. and such have been the expectations generated by Jadelle's manoeuvres that the share price has stayed almost £1 above the bid level, yesterday it was unchanged at 368p. On forecasts of £4.4m for the year to September, an annualised equivalent of around £6m expected for the 17-month period, the shares are trading on a prospective p/e of 17. With good earners like Smith and Nephew available at much the same rating, it will take all of Ward's genius to sustain the price in the next 12 months.

Marina offer gets poor response

Marina Development, the marina operator floating off 5.5m shares on the unlisted securities market at 110p a share, has received a poor response to its offer for sale.

Only 2.8m of the shares—some 51 per cent of the issue—were taken up, leaving the rest in the hands of the underwriters. A group of institutions had undertaken to apply for 2.2m of the shares, so the number applied for by the wider investment community totalled only 573,000.

Marina Development came to the market having made practically no pre-tax profits in the last five years because of the weight of borrowings during a period of rapid expansion. However, it was forecasting profits of £770,000 in the year to next March and had hoped for a warm response for marine users as well as other investors.

Mr Clifford Millinsted of Kitcat & Aitken, joint sponsor to the issue with Guidehouse, said he was disappointed by the response and blamed volatile market conditions in the run up to the flotation. A discount seems likely when dealings begin next Wednesday.

PCT to cover Coubro costs via pension surplus

BY ERIC SHORT AND FRANK KANE

PCT Group, the Glasgow-based power tools, lifting and welding equipment business, yesterday announced that it is covering the cost and losses incurred from the £1.1m acquisition of Coubro and Scrutton by taking a cash refund from the surplus of Coubro's pension scheme.

This refund, amounting to £2.7m net of the 40 per cent tax charge, is the first to be announced under the new rules for reduction of pension fund surpluses contained in this year's Finance Act. Other companies are reducing surplus by improving benefits and taking contribution holidays.

PCT yesterday announced a £665,849 loss for the year to end December 1985, which arose almost entirely from the costs associated with the Coubro deal, the company being acquired in May of last year. In 1984 PCT recorded a profit of £501,094.

Mr Paul Garvey, group finance director of PCT, said that Coubro at the time of acquisition was running at a loss despite a large turnover. PCT had now eliminated the losses, while maintaining turnover by pruning staff—from 550 to 290—and running costs. The refund from the PCT 1 pension scheme—originally the scheme of Coubro—would repay the bank borrowings and repair the ravages made to PCT's reserves.

This pension fund is in a very healthy financial position, unlike Coubro itself, the surplus of £4.5m representing rather more than half the fund's assets of £7.5m, a situation coming from good investment, overfunding of contributions and redundancies. Under the new rules, a cash refund of surplus back to the parent company is subject to a 40 per cent tax charge, irrespective of the company's own tax situation.

Mr Garvey said that the company was prepared to pay this charge in order to restore the reserves. Coubro was already taking a contribution holiday at the time of acquisition.

However, the new rules will not come into effect until April next year. In order to get immediate benefit, PCT is borrowing £3m from the pension scheme, on commercial terms in an arm's length transaction, to be repaid when it can take the surplus.

PCT has not discussed its action with the workforce.

The pension windfall will enable PCT to hold the dividend for the year at 3.2p with an unchanged final of 1.6p. The overall loss for the year was £718,535 (£224,805) after a further below the line charge of £175,300 for Coubro.

Asprey profits approach £11m

Asprey, jeweller and antique dealer, yesterday announced a 44 per cent improvement in pre-tax profits, from £7.57m to £10.92m, in the year to end-March 1986.

Turnover jumped 78 per cent to £51.83m (£29.2m), due, the directors said, to special orders which were unlikely to recur on a regular basis.

The final dividend is lifted from an adjusted 4.33p to 6.5p, to make a total for the year of 10p (6.67p adjusted). Earnings per share rose nearly 10p to 33.07p (23.34p).

Costs doubled to £33.22m (£16.37m), being an increase in stocks of finished goods and work in progress £6.54m (£6m), less finished goods for resale £36.7m (£19.68m). Other external charges were £3.06m (£2.73m). Staff costs took £3.92m (£3.08m) and depreciation increased to £518,000 (£211,000).

Other operating charges rose from £3.22m to £4.81m, and interest charges were £5,000 (£8,000) while other income totalled £1.58m (£1.37m).

Tax increased to £4.78m (£3.21m) to leave net profits £1.78m ahead at £6.14m.

There were extraordinary debits of £32,000, and minorities took £65,000.

● comment

Asprey was quite candid in admitting that the "special items," or the esoteric and very expensive bibelots commissioned by whimsical and very wealthy customers, which boosted this set of results are unlikely to recur in the current year. The market rewarded its candour by shaving 7p off the share price which fell, after an early rise, to 588p yesterday. Although the London shop will suffer from the decline in US tourism, the very wealthy Americans who frequent it have proved less terrophobic than their compatriots and have continued to indulge themselves during their stays. A shortfall in London would in any case be countered by an increased contribution from New York, where sales at the new shop are ahead of target. The Cork Street art gallery is also faring well and its success may persuade Asprey to part with some of its cash pile. Given that buying its own shares is no longer an option—the company only permits itself to do so when the share price is less than 500p—and "exclusivity" precludes further shop openings Asprey may now turn its attention to related areas of investment such as art. The City expects stable profits of £11m or so for 1986/1987 which suggests corresponding stability for the prospective p/e at 16.

Kwik-Fit disposal

Kwik-Fit (Tyres & Exhausts) Holdings has sold a substantial part of its investment property portfolio to Chigwell Properties for £6.25m, equivalent to book value, and will be entitled to further payments of two-thirds of net income and two thirds of the net proceeds of any future sale above the sale price.

Kwik-Fit has agreed to provide consultancy services and a guarantee for £1.8m of the borrowings being made available to Chigwell secured against the properties.

N. Brown

N. Brown Investments, the Manchester mail order business, is moving into financial services with the acquisition of Morfitt and Turnbull, a life and pension broker fund manager, for an initial £3.18m in shares.

Viewplan in talks

Shares in Viewplan, the USM-quoted equipment hire company, closed up 11p on the day at 68p after it announced that it was involved in preliminary talks which could lead to a bid for it. Earlier this month the company announced that it could only break even in the second half of 1985-86, with pre-tax figures for the year showing a drop from £704,297 to £367,325.

Marler's £11m rights to fund offshoot's cash call

Marler Estates, the property company which has plans to develop Stamford Bridge and Craven Cottage, respectively the grounds of Chelsea and Fulham football clubs, is raising £10.6m net through a one for two rights issue at 450p a share.

In May, SB Property, a 70 per cent owned subsidiary of Marler, made arrangements for a £9m bid for the Fulham FC ground. Most of the funds being raised by this issue will be used by Marler ot subscribe to and underwrite a rights issue by SBP.

SBP has already obtained planning permission for building houses and apartments on the Stamford Bridge ground, which was revalued recently at £25m if vacant posssession is achieved. Fulham's ground has been valued at £11m. Both teams will be able to continue using their grounds next season.

Also yesterday Marler announced results for the year to March 25. Pre-tax profits were £366,000 against £648,000 previously and earnings per share fell sharply to 2.86p from 24.95p. Only a single dividend is paid, which has been raised to 4p from 3p. Net assets per share were 401p, up from 278p, and shareholders' funds stood at £20.9m against £12.91m previously.

LASMO sells Dutch oil and gas interests

By Lucy Kellaway

LASMO, the independent oil company, yesterday announced the sale of its oil and gas interests in the Netherlands for $22m (£14.8m).

The properties, which include a 6.04 per cent stake in the Rijn oil field, a 15.3 per cent interest in a gas discovery on block P/2A as well as assorted exploration permits, have been bought by DSM Energie BV.

The sale is in line with LASMO's policy of divesting itself of smaller fringe interests in order to concentrate on larger blocks which it operates itself.

UK COMPANY NEWS

Midland's £195m disappoints City

BY DAVID LASCELLES, BANKING CORRESPONDENT

Midland Bank, the UK's third largest clearing bank, yesterday announced a 29 per cent rise in pre-tax profits from £151m to £195m for the first half of this year. Earnings per share were 39.2p, up from 22.5p.

Sir Donald Barron, chairman, said the result "reflects improving performance and good trading conditions in all the group's operating sectors."

However, the profits were at the low end of analysts' forecasts and disappointed the stock market with Midland's shares closing 5p lower at 547p.

The six months cover the period in which Midland finally disposed of Crocker National Bank, its troubled California subsidiary. After sale expenses of £15m, Crocker's contribution to pre-tax profits was £15m.

The main component of Midland's revenues was net interest income of £755m, which was down on the £814m in the same period last year because of a smaller loan book and narrowing margins. But other operating income, including securities trading, rose sharply from £563m to £695m. These trends reflected the group's mounting dependence on investment banking and other non-lending activities such as foreign exchange trading.

Operating expenses were virtually unchanged for the period at £1.06bn, but the charge for bad and doubtful debts rose by £28m to £210m. The bulk of this charge was for specific international risks, though £72m of general provisions were made because of uncertainties in the world banking market.

As a percentage of total lendings, provisions amounted to 3.1 per cent, up from 2.6 per cent.

The interim dividend is 11.5p per share, up from 11p.

Retained profits were £64m, up from £39m last year. The free capital ratio was 6.7 per cent on June 30 compared to 5.3 per cent a year earlier. The balance sheet totalled £52.2bn, down from £60.1bn.

Sir Donald said there were no immediate plans for a rights issue but Midland was constantly studying the possibility of making an issue of perpetual debt on the Euromarkets to raise fresh capital.

Apart from the Crocker sale, the first half of this year saw the completion of the acquisition of W. Greenwell & Co., the stockbroking firm, and the appointment of chief executives for Midland's four main business areas. Profits from retail banking also improved, reflecting increases in lending volume and commission income. The mortgage book stands at £1.9bn and is expected to reach £2.5bn by the year-end.

Mr Geoffrey Taylor, group chief executive, said the first half had brought a "welcome improvement" in profits. "Inevitably we are in a period of consolidation following the sale of Crocker, but there are encouraging signs that existing strategies combined with considerable management effort have put us on the path towards our objective of improving substantially the return on our assets and on our shareholders' funds."

Mr Taylor will become vice-chairman of Midland in September, making way for Sir Christopher MacMahon, the former deputy governor of the Bank of England, who is to take over as chief executive and eventually as chairman as well.

See Lex

Reuters board reprimands Maxwell

By David Goodhart

MR ROBERT MAXWELL, publisher of Mirror Group Newspapers, has received a formal reprimand from the board of Reuters for breaching the spirit of the company's code on the sale of shares by directors.

Mr Maxwell, who is a director of Reuters, apologised last Monday to Sir Christopher Hogg, the Reuters chairman, for the sale by the Mirror Group of 2m Reuters "B" shares (valued at about £10m) during the "closed" period before interim and annual results are announced.

However, Reuters said yesterday: "While welcoming this apology, the board regards the sale as having breached the spirit of its code and is seeking, in conjunction with Mr Maxwell, to ensure that no similar incident takes place in future."

It is unlikely that any further action will be taken against Mr Maxwell, but Reuters will now probably tighten up its share selling code, which at present only applies to shares owned personally by directors and not to those owned by a company—such as Mirror Group—in which a director has an interest.

Mirror Group has been gradually selling off its 14.7m "B" shares since last November and now has none left. Its remaining 5.85m "A" shares are not tradeable until May 1987.

Mr Maxwell said that he had not known about the criticised Mirror Group sale—made at the end of June and beginning of July. It is unlikely that he will face any move to oust him from the board, and Reuters will try to close the issue.

Wm. Boulton

William Boulton Group, the troubled Stoke-on-Trent engineering business, has made two more disposals to complete a major rationalisation programme designed to turn the company around.

It is selling loss-making William Boulton Ltd., a supplier of ceramic manufacturing plant, and Boulton Industrial Furnaces for £1 each to Winemanor Holdings. There will be a £595,000 extraordinary write-down in group net worth.

Lex up 87% so far but downgrades expectations

SHARES in Lex Service, the motor distribution group, rose 2p to 307p yesterday on the announcement of an 87 per cent rise to £14.8m in interim profits — despite a downgrading of expectations for the second half.

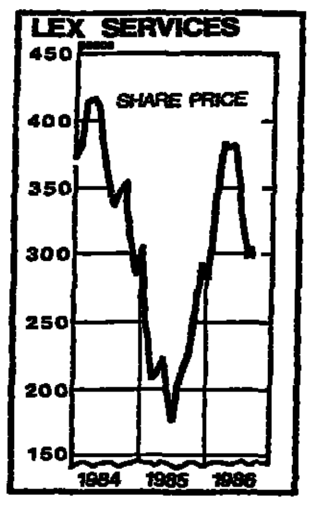
The result for the period to June 29 was in the middle of a wide range of City estimates, and compared with £7.9m last time. However, Mr Trevor Chinn, chairman, said that profits would not reach Lex's goals until there is a sustained recovery in demand for semiconductors in the US.

There was no indication of a pick-up in the short-term, he added. Similarly, there were no signs of improvement in the UK and Europe.

The improvement in the US electronic component industry may not happen until 1987, but Mr Chinn went on to say: "We remain convinced that, in due course, increasing demand will move the semi-conductor into a renewed growth phase in the cycle.

"We will be able to take full advantage of our strong market position, which has been significantly improved in terms of product range, a growing customer base and market share."

In fact, Lex managed to reduce the interim losses incurred on its US electronic component distribution operations, from £2.5m to £0.2m. The second half of last year showed a small profit. In the UK there was also a deficit, of £0.2m (£0.8m profit) and West Germany and France lost £0.1m (£0.2m profit).



In the US, Schweber Electronics, the component distribution business, reported sales 4.7 per cent higher than in the first half of 1985, while sales of Almac Electronics were 13.7 per cent up in the first half.

All of Lex's automotive businesses performed well, with particularly strong performance from Volvo Concessionaires, which set records for new car registrations and market share as well as for sales of parts and accessories. Registrations were 12.1 per cent higher for the first half at 35,513, representing a 3.68 per cent share of the market compared with 3.36 per cent.

The passenger car market in the UK seems likely to reach total registration for the year closely comparable with those of the past two years, said Mr Chinn. "While it is unlikely that Volvo will continue to outperform the market at the same rate as in the first half year, we are confident that we shall set new volume and market share records for the year as a whole."

Total group turnover rose slightly from £547.5m to £552.6m. There was a much lower interest charge of £1.2m (£4.7m), while related companies added a roughly unchanged £0.8m.

After a higher tax charge of £6.2 (£4.3m), earnings per share rose from 5p to 10.6p, easily covering the unchanged interim dividend of 4.1p. Last time, the total was 10.6p on pre-tax profits of £23.6m and earnings of 17.6p per share.

The proceeds from the divestment of the transport businesses have further strengthened the balance sheet, with net debt reduced from 32 per cent of equity at the 1985 year end to 10 per cent at the period end.

See Lex

Highams launches bid for MSCC

Highams, the private Oldham-based industrial textiles group, yesterday confirmed that it is launching a bid for the Manchester Ship Canal Company. The offer is 625p in cash for each ordinary share, which values its issued share capital at £37m.

Highams first announced a bid for MSCC some two months ago but the offer was then delayed, largely because of discussions with the Takeover Panel over the canal company's complex shareholding structure and how this affected a bid.

Highams held some 51 per cent of MSCC shares when it launched the bid but only 31.77 per cent of its votes. However, in amassing its stake it broke a Takeover Code rule which prevents a predator acquiring a voting stake of more than 29.9 per cent in the early stages of a hostile bid.

At the request of the Takeover Panel, Highams has agreed to sell 225,469 voting preference shares to reduce its voting strength, together with an associate, to less than 30 per cent and its hold over the total equity to 49.99 per cent.

The MSCC board last night said the Highams offer was inadequate.

Pearson

Following the decision announced in January 1986 to restructure Fairey Holdings, the engineering sector of Pearson, Fairey Marine of Cowes, Isle of Wight, has been sold to Marinteknik International of Hong Kong for £455,000 cash.

Hargreaves urges bid rejection

BY MARTIN DICKSON

Hargreaves Group, the Yorkshire-based coal and oil trading business, yesterday urged shareholders not to accept the £81m bid launched on Monday by Coalite and said it had received a number of other approaches since then.

It was Hargreaves' first formal response to the Coalite offer. However, it added that it was still too early to say whether the new approaches would lead to other firm offers.

Coalite replied that its offer was a very fair one and it intended to pursue it with determination.

Coalite had been seeking a recommendation of its offer from the Hargreaves board and yesterday's statements followed a meeting between the chairmen and managing directors of the two groups.

Coalite, an energy distribution group headed by Mr Eric Varley, the former Labour minister, is offering one of its shares plus 600p in cash for every four Hargreaves shares. But Coalite's shares fell 2p on yesterday's news to 287p, valuing the offer at 222p a share, while Hargreaves rose 11p to 253p.

Lord Weinstock's salary increases by 30%

BY DAVID THOMAS

THE SALARY of Lord Weinstock, General Electric Company's managing director, increased by 30 per cent last year, according to the company's report and accounts published yesterday. In 1985-86, he received £177,000, compared with £136,000 the previous year.

Mr James Prior, non-executive chairman, received £61,000 last year.

Pre-tax profits fell to £701m in 1985-86 from £725m in the previous year.

Mr Prior said yesterday that GEC had started the present year with an order book standing at £5.96bn, 12.5 per cent up on the previous year.

Among the main contributors were a £400m order from the Ministry of Defence for the Sting Ray lightweight torpedo, a £250m order to supply the Chinese Daya Bay nuclear power station and an $100m order from the US Defense Department for its Central Air Data System.

Referring to the Nimrod early warning project for the Royal Air Force, with which GEC has been struggling, Mr Prior said: "We are confident we can demonstrate that we are capable of delivering an operational system acceptable to the Royal Air Force."

The Ministry of Defence is evaluating other bids for the project, which it put out to tender after becoming concerned about GEC's lack of progress.

Rothmans

Rothmans' shareholders at yesterday's annual meeting were told that the group was now in a position to produce better results.

"We have been through two very difficult years, which I think we have used to good effect to get our affairs into better shape," said Sir Robert Crichton-Brown, the chairman.

Glen acquires 74% of Acacia

Glen Corporate Finance, a subsidiary of Glen International and financial services group headed by Mr Terry Ramsden, has acquired a 74 per cent stake in Acacia Holdings Ltd, a privately-owned international meat trader, based in Maidenhead.

The Stedman family, which previously owned the company, will retain a material interest and Mr Alan Stedman will continue as chief executive. Glen International had built up a 28.5 per cent holding in Pyke Holdings, the catering butcher, until it was acquired by Hillsdown Holdings.

HORIZON TRAVEL — Mr Ron Brierley's IEP Securities has increased its stake in Horizon by just over 0.5m shares to 6.25m. IEP has spent some £6.4m building up what is now a 12.53 per cent holding in the travel company.

Wimpey sells offshoot to Cement-Roadstone

BY DAVID GOODHART

George Wimpey, the engineering and construction group, has sold it Wimpey Merchants Group to Cement-Roadstone Holdings for a total of £23.2m.

Mr Cliff Chetwood, Wimpey chief executive, announced in June that the company was beginning a series of minor divestments aimed at returning it to its core businesses.

WMG is organised as an autonomous sub-group of Wimpey, comprising Wimpey Merchants Ltd and three operating subsidiaries: W. W. Hall Ltd., which has nine branches and a central warehouse operation, all in the South of England; Edwards and Co Ltd, with one branch in Kent, and Monteith Building Services with six branches in Scotland.

Cement-Roadsone is paying £17.2m in cash on completion but £6m of redeemable preference shares will continue to be held by Wimpey. In the year ending December 31 1985 WMG made a trading profi of £2.1m on sales of £69m. Its assets are valued at £14.5m.

The combined merchanting turnover of CRH and WMG in the UK will beabout £110m, of which 60 per cent will be generated in the south of England.

Mr Tony Barry, CRH's operating officer in Europe, said' "WMG is an important strategic acquisiiton for use. I substantially increases CRH's presence in the buoyant markets of Southern England and enhances Henderson's presence in the Scottish market."

T & N meeting postponed

THE extraordinary general meeting called by Turner & Newall to approve its bid for AE was postponed yesterday following an objection by AE's legal advisers.

AE questioned whether Turner & Newall had given the statutory 14 days notice of the meeting having announced it on July 16.

Turner & Newall said that its advisers had informed it that a meeting held yesterday would have been valid. However the company added: "In view of the uncertainty which could arise if AE chose to contest this view, the directors of Turner & Newall consider that the matter should be put beyond doubt by convening a further EGM to approve the offer for AE."

The meeting is expected to fall on August 20.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aaronsen Bros ......int	1.2	Oct 6	1.2	—	4.2
A & M Group	0.4	Oct 3	0.4	0.4	0.4
Aim Group	3.85	Oct 1	3.85	5.75	3.75
Asprey	6.5	Oct 1	4.33*	10	6.67*
Peter Black	1.25	Oct 6	1.1	1.84	1.63
Cray Electronics	†2.95	Nov 21	2.23	3.91	2.97
Drayton Far East ...int	0.4	—	0.4	—	1.1
Gibbs Mew	‡2.5	Oct 1	1.46	3.6	2.56
John I. Jacobs ......int	1.4	Oct 30	1.4	—	3.6
Johnstone's Paints int	1.77	Oct 21	1.77	—	4.27
Lex ....int	4.1	Sept 15	4.1	—	10.6
MacArthys Ph 2nd int	6	—	6	—¶	8.2
Marler Ests	4	—	3	4	3
Midland Bank ......int	11.5	Oct 2	11	—	25.5
Mid Wynd	1.4	—	1.25	2.4	2.15
ML Holdings	†5.7	Oct 2	5	8	7
PCT	1.6	Sept 19	1.6	3.2	3.2
Wm Ransom	8.13	Sept 22	7	9.95	8.65
David S. Smith	†2.8	—	2	4.2	3

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Cardiff Property, Consolidated Tern Investments.

Finals: Forminster, Mainmet, Neepsend.

FUTURE DATES

Interims:—

Akzo	Aug 6
Alliance Trust	Aug 8
Biotechnology Investments	Aug 11
Boustead	Sept 12
Debron Investments	Aug 11
F & C Enterprise Trust	Aug 14
Fleming Mercantile Invest Trust	Aug 19
Foreign & Colonial Invest Trust	Aug 13
Juliana's	Sept 24
Kennedy Brookes	Aug 5
Renown	Aug 11
Stockley	Aug 6
Ultramar	Aug 12

Finals:—

Ewart New Northern	Aug 8
Millfields Investments	Aug 5
Rush & Tompkins	Aug 4
United Packaging	Aug 21
Webb (Joseph)	Aug 7

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1,278-1,284 (+2)
Based on FT Index
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UK COMPANIES

New Court may change direction

BY TERRY POVEY

New Court Natural Resources has reported further board changes which seem likely to lead to attempts to direct the company out of oil and gas and into an area where its accumulated US tax losses can be used. A settlement of the damaging legal dispute with a former chief executive would also appear to be possible.

The moves follow almost a year of boardroom disputes at the UK-listed company which is involved in the exploration and production of oil and gas in the US.

In November, Mr David Hayllar, chairman, declined to stand for re-election to the board and Mr Grant Manheim resigned as chief executive of the sole operating subsidiary, although he remained a member of the board. Mr Jack Barton, who was appointed as chief executive, died soon after taking up his post.

Mr John Clarke and Mr George Livingstone-Learmonth are resigning in the latest round. Mr S. Farrell, Mr Chris Mills and Mr Mark Vaughan-Lee are replacing them.

Mr Livingstone-Learmonth was replaced by Mr Farrell as nominee director representing Hampton Gold Mining Areas following Bond Corporation's takeover of that company recently. Mr Clarke said that he had simply resigned.

Mr Vaughan-Lee, a director of fund managers MIM, and Mr Mills, also from MIM, have been agitating for a change of direction at New Court for most of the past year. Backing them have been holders of about a third of the shares led by MIM, which has a 15 per cent stake in New Court.

Since Bond's takeover of Hampton, the forces committed to radical change at New Court have grown and are almost certainly in a majority as the gold mining company own about 15 per cent of New Court. The restructured board could seek to utilise New Court's accumulated tax losses, which totalled $8m last year but would be more if assets were sold at less than their tax values. In the US such tax losses can be offset against profits generated within the same group.

Mr Vaughan-Lee and Mr Mills have experience of such manoeuvres. In early 1985 they took over American Oil Fields Systems, a troubled oil and gas exploration company which had accumulated US tax losses of $21m.

A nine-for-one rights issue followed as did the purchase of a leading US mercury switch maker and the renaming of the company as American Electronic Components, which was floated on the USM in April 1985.

The legal dispute is with Mr Manheim and concerns ownership of a $460,000 luxury apartment in New York.

In the six months to September, New Court reported pre-tax profits of £213,000, down sharply from £919,000 in the previous year. The shares have fallen to 15p from a recent high of 34p.

Forward Technology makes £2.4m cash call

BY RICHARD TOMKINS

Forward Technology Industries, the manufacturer of ultrasonic machinery, records and cassettes, yesterday announced that it was to raise £2.4m net through a four-for-nine rights issue of 7.6m shares at 34p a share.

It also said that sales were running at a higher level than at the same time last year, with the ultrasonics activities particularly strong, and forecast a *final dividend of 0.7p* (0.5p). However, it gave no indication of what the figures for the six months to last June would show.

The proceeds of the rights issue will be used to cut UK *borrowings, expand the group's* ultrasonic activities overseas, and to provide a plank for a broadening of the group's profits base in Britain through acquisitions.

In the year to last December, most of Forward Technology's profits came from its electronics division which is mainly involved in the manufacture and supply of ultrasonic cleaning and joining equipment. The sound and vision division suffered a first-half loss largely because of a downturn in demand for computer games cassettes, but rationalisation brought a modest profit for the full year.

The group as a whole increased pre-tax profits from £722,000 to £1m

Mr Gordon Allen, non-executive president, will not be taking up his rights to 3.7m shares. These will be placed by brokers Phillips & Drew, so reducing Mr Allen's interest in the company from 49 to 34 per cent. Underwriters to the issue are Singer & Friedlander.

Forward Technology's shares closed unchanged at 43p.

GIBBS MEW, a brewer and commercial property developer quoted on the USM, reported taxable profits of £807,000 (£289,000) for the year to end-March 1986. Turnover was £13.57m (£15.9m). Earnings per 25p share were 9.13p (3.36p). Final dividend 2.5p (1.46p) for 3.6p (2.56p) total.

APPOINTMENTS

Abbey Life Group board restructured

Following ABBEY LIFE GROUP'S move to full public ownership, its structure will be realigned from October 1 to strengthen and co-ordinate the sales and marketing effort in the UK. **Mr M. Gary Jones** becomes general manager and director, sales and marketing—with overall responsibility for agency, broker, ambassador, Abbey unit trust managers, new ventures, marketing and product management. He is managing director of Watney Mann National Sales, part of the Grand Metropolitan brewing and retailing division. *Mr Paul Seymour is made general* mangare and director operations with overall responsibility for policy administration, systems, personnel and foreign subsidiaries. He is the company's appointed actuary.

Following the resignation of the ITT/Hartford nominees, the restructured board of Abbey Life Group will now be: **Mr C. J. Baker** and **Mr R. A. Biggam** (non-executive); **Mr M. L. Hepher**, executive chairman; **Mr M. G. Jones** (executive); **Mr R. F. Richardson** (non-executive); **Mr P. A. C. Seymour** (executive), and **Mr N. E. Wakefield** (non-executive). **Mr P. Sheth** continues as secretary.

The board of Abbey Life Assurance Company, which comprises the senior operating executives of the group, will be: **Mr D. A. Baggaley**, director, finance; **Mr M. L. Hepher**, chairman and managing director; **Mr M. G. Jones**, general manager and director, sales and marketing; **Mr R. M. Peters**, director and head of agency division; **Mr B. P. Ridsdale**, director, administration and systems; **Mr P. A. C. Seymour**, general manager and *director, operations*; **Mr P. Sheth**, company secretary; and **Mr F. C. Tucker**, director, foreign operations.

★

Mr Henry N. Lewis has been *appointed a non-executive director* of S. & W. BERISFORD. He is a director of Dixons Group. He was previously a managing director of Marks & Spencer.

★

FRIENDS' PROVIDENT LIFE OFFICE has made the following managerial appointments in the investment division following the operational merger with UK Provident: **Mr Ron Florence**, chief investment manager; **Mr David Allan**, *joint chief investment manager*; and **Mr Michael Clark**, deputy chief investment manager.

★

BRITANNIA ARROW HOLDINGS has appointed **Mr Michael Perman** as company secretary. He takes over from **Mr David White** who is leaving to become company secretary of Glaxo Holdings.

★

Mr Tim Brookes, *formerly a* partner with Peat, Marwick, Mitchell & Co in Birmingham, has been appointed deputy chief executive and finance director of COLINE INTERNATIONAL.

★

SPICER AND PEGLER and its associated firms have admitted at partners in **Ingle Dawson** and **Mr Edgar Harvey** (Nottingham) and **Mr Godfrey Ainsworth** (Cardiff). **Mr Gareth Jones** becomes the firm's representative partner in Tokyo when he moves to Japan next month.

★

Ms Susan Moore *has* been appointed managing director of Kingston - upon - Thames - based OFFSHORE CONFERENCES & EXHIBITIONS, a member of the Spearhead Group.

★

Mr Terry Joint has been appointed INSIGHT DATABASE SYSTEMS, managing director, software products division.

★

Mr Brian L. Budd, a former manager of the Monsanto plant at Ruabon (North Wales) has been elected chairman of the company's UK subsidiary. He succeeds **Mr John Mason**, who is retiring. Mr Budd joined Monsanto in Ruabon in 1947 and has held various positions in the UK and Belgium. He was latterly director of the company's European technical centre at Louvain-la-Neuve, Belgium.

★

Mr Jarry Armstrong Taylor has been appointed a director of E. THOMAS & CO, part of the Mowlem Group.

★

Mr Ron White, managing director, EMI MUSIC PUBLISHING, *will retire from EMI Music on* December 31. He will be succeeded by **Mr Frans De Wit** on January 1. Currently managing director EMI Music Publishing Holland BV, Mr De Wit joined the company in 1980. As a result of Mr De Wit's move to London, EMI Music's publishing activities in Holland and Belgium will be amalgamated and **Mr Chris Van Houten** who, from October 1, will assume the role of managing director EMI Music Publishing Holland with responsibility for the administrative activities of both companies. **Mr Jan D'Haese** will remain managing director EMI Music Publishing Belgium responsible for the *creative affairs of both the* Dutch and Belgian companies.

Changes at Polly Peck

Mr David Fawcus is joining the board of POLLY PECK INTERNATIONAL as finance director from a similar post with Guinness Overseas. He takes over from the retiring financial director, **Mr Anil Doshi**, who will serve as senior consultant for a transitional period. **Mr Brian Handicott**, commercial director, *is leaving to pursue his own* interests by becoming a partner in an electronics business. **Mr Tahsin Karan** has been appointed to the board. He is managing director of the Vestel consumer electronics manufacturing and marketing operation in Turkey, and will be the group's first main board director based in Turkey. **Mr Joe Harris**, chairman of the Inter-City Textiles subsidiary, also joins the main board as an executive director, and **Mr Evan Potts** has been appointed deputy director of the agricultural division. Mr Potts was formerly with the Deciduous Fruits Board and will head the Sunzest European sales and marketing team.

Acquisitions boost David S. Smith

David S. Smith (Holdings), the rapidly expanding packaging, paper and board manufacturer, reported a six-fold increase in pre-tax profits for the year to the end of April on turnover up by almost five times. The figures include a first full contribution from Western Board Mills and 11 months from Abbitrin.

However, the results do not cover the merger with St Regis Holdings, which was completed in June.

Turnover rose from £8.31m to £38.45m, giving taxable profits of £6.21m against £1.05m. Earnings per 20p share came out at 12.5p (5.9p) and the directors are recommending a final payment of the capital increased by the St Regis acquisition, of 2.8p (2p), making a total for the year of 4.2p (3p).

Commenting on the present year Mr Richard Brewster, chief executive, said that St Regis would have a significant impact on the group. The deal doubled the size of the company, making it the fourth largest paper maker in the UK and a leading maker of corrugated cardboard with a 15 per cent share of the UK market.

He added: "We enjoy the important combination of experienced management and a specialist product to sell and this gives me confidence for the future."

Of the year under review he said that both the manufacturing and converting businesses showed growth. Abitrin installed a new corrugator to meet demand and further steps had been taken to expand output. Western was helped by increased demand from both the UK and overseas.

The conversion activities while still very competitive were busy throughout most of the year. The policy of moving up market was producing positive results.

The tax charge was £2.34m (£414,000) leaving attributable profits at £3.87m, against £633,000 last time. Dividends absorbed a total of £894,000 (£426,000), the proportion attributable to the shares issued for the purchase of St Regis has been treated as part of the cost of the investment.

● **comment**

Thus far David S. Smith has struck a happy balance by staging a series of successful acquisitions without jeopardising organic growth. The company does not identify contributions from individual divisions, but its success in digesting both Western Board and Abbitrin may be gauged from the 15 per cent organic increase in sales and rather faster growth in profits. Given the intensely competitive climate within the paper and packaging industries it would be foolish to expect similar growth this year. Yet David S. Smith has steered itself into relatively sheltered niche markets and the St Regis deal not only offers an opportunity to treble profits, but some very real synergistic benefits for the core company. St Regis will take rather longer to integrate than either Western Board or Abbitrin and the full benefits of pooled distribution, reduced raw material costs and extra capacity will filter through in the 1987-88 financial year. Even after St Regis gearing hovers at below 15 per cent, but David S. Smith's management is likely to want to expend effort and energy on integrating its new company before hitting the acquisition trail again. Thus with projected profits of £18.5m the prospective p/e of 13.5, at 258p, seems sufficient for the short to medium term.

P. Black rises by 28% to £6.3m

Peter Black Holdings, West Yorkshire-based consumer goods maker, reported pre-tax profits for the year to May 5 1986 up by 28 per cent to £6.27m, against £4.89m for the year to April 27 1985.

The directors were optimistic about the future, its recent investment programme having established the group in areas which they said were attracting a growing proportion of consumer spending.

Turnover rose to £106.85m (£83.28m). Earnings per share came out at 12.24p (10.99p) and the total dividend is being increased to 1.838p against 1.625p, with a recommended final payment of 1.25p (1.1p). A one-for-four scrip issue is also being proposed.

New products boost Cray Electronics to £6.3m

PRE-TAX profits at Cray Electronics Holdings have increased for the ninth successive year, and Mr R. Palumbo, the chairman, said the advance had been in existing businesses and through the acquisition of Malvern Instruments.

He added that margins had benefited both from new product ranges, as well as from increased efficiency in production and operations.

Profits were ahead by 48.1 per cent from an adjusted £4.23m to £6.27m. Turnover of this mechanical and electronic engineer, improved from £35.6m to £43.3m, an increase of 21.6 per cent.

The final dividend is increased from 2.23p to 2.954p for a higher total of 3.911p net (2.966p).

The pre-tax figure was after interest charges up from £889,000 to £1.23m. Tax was £2.3m compared with £1.77m. There was an extraordinary debit of £305,000 (£5,000), which comprised costs associated with the reorganisation of the sheet metal business.

After dividends of £1.21m (£818,000), retained profits came out at £2.45m against £1.65m.

● **comment**

Cray seems to be one of those rare companies which has actually achieved the oft-proclaimed goal of establishing several profitable "niche" divisions. These results were at the upper end of analysts forecasts and the shares closed up 7p at 315p. Defence industries now account for less than 30 per cent of Cray's turnover and the customers of today have a much broader range than of old — from the Stock Exchange to British Telecom. Some of the old defence habits die hard, however, and Cray is unwilling to break down profits or turnover by division. What does seem clear is that growth is occurring across the board and profitability is being boosted by margins which reached 17 per cent in the second half. Last year's major purchase, Malvern Instruments, performed well enough to invoke the "extra payment" clause of the acquisition agreement. Pre-tax profits of £9m are the target for this year and the shares, although not cheap on a prospective p/e of 17, will continue to attract enthusiastic support.

Timber costs cut Aaronson interim result

DIFFICULT trading in the first three months, severe weather in February and increased timber costs were all blamed by Aaronson Brothers for a 43 per cent fall in pre-tax profits on turnover little changed in the six months to March 31 1986.

On turnover of £44.2m (£44.53m), pre-tax profits for this maker of chipboard and associated products fell from £2.12m to £1.2m. Earnings per 10p share came out at 2.36p (5.109p) but the interim dividend is being maintained at 1.2p.

Directors said that the difficult conditions had continued into the second half. However with falling oil prices, the present level of sterling against European currencies and a recent upturn in business they expected some improvement in trading.

The tax charge was £333,000 (£640,000)

There were extraordinary charges of £372,000 (£564,000) relating mainly to closure costs on products no longer made.

ARGYLE TRUST, financial services group, reported pre-tax profits of £323,000 (£296,000) on income of £1.79m (£1.78m) for the first six months of 1986. Earnings per share were 1.3p (0.86p) and there is again no interim dividend.

Wm Ransom rises 22% despite bad debt provision

William Ransom & Son, Hertfordshire-based manufacturing chemist, lifted pre-tax profits by 22 per cent to £582,000 in the year to March 31 1986 against a previous £477,000. The result was struck after the deduction of £107,000 in respect of doubtful debts in Nigeria and the closure of a subsidiary, treated as exceptional items.

At the same time the directors announced proposals to purchase and cancel the company's preference share capital, amounting to £15,056, and a nine-for-one scrip issue.

They are also recommending an increased final dividend of 8.13p (7p), making a total for the year of 9.95p against 8.65p. Earnings per 10p share worked through at 39.67p (21.91p) net, and with the deferred tax provision no longer required, at 26.31p (21.9p).

Group turnover showed a 39 per cent improvement to £6.52m (£4.68m), and the pre-tax result was after taking £15,000 (£12,000) for the profit sharing scheme.

There was a tax credit of £17,000 (£146,000 debit), being a charge for the year of £185,000 (£146,000), and the release of the deferred tax provision no longer required, amounting to £202,000 (nil). This was due to the directors' valuation of land and buildings at Hitchin, brought into the accounts at £2.75m, and a reappraisal of the deferred tax provision.

Newmarket expands portfolio

Newmarket Co, Bermuda-based investor in venture capital projects, said yesterday that the emphasis in the second quarter to June 30, 1986 had been to provide further capital to existing portfolio companies.

During the quarter, a total of $700,000 was invested in five predominantly US ventures, and a total of $1.5m was invested in 11 such companies in the UK.

Two companies in the Newcastle portfolio were sold, both giving rise to increased investment values. And despite the strong recovery in prices of US quoted technology companies seen in the first quarter not continuing in the second, three companies were able to attract their first round of public investment.

The company's asset value per share at June 30 had risen to $2.51 ($1.63) compared with $2.5 at March 31 1986.

Mr Henderson said the company's UK subsidiary, New Cambridge Research, had continued its encouraging progress in finding relatively small ventures at their earliest stages of development.

Johnstone's Paints profit jumps 40%

Johnstone's Paints, a USM quoted manufacturer, saw taxable profits rise by 40 per cent in the six months to May 31 1986, and despite adverse weather conditions, sales jumped 22 per cent to £6.21m.

The interim dividend is held at 1.765p per share, but Mr James Johnstone, the chairman, said that if "our current record breaking sales performance continues in line with expectations, an increase in the final dividend will be paid."

Last time the total came to 4.265p.

The current year will see three new branches opened. One is already trading in Glasgow, while those in Leicester and Reading will be opening shortly.

Thee company has also secured a number of contracts with the Department of Environment Property Services Agency.

After tax at £191,320 (£156,293), earnings came to £355,310 (£234,440) or 3.38p per share (2.23p).

DRAYTON FAR EASTERN Trust net asset value rose to 230¼p at June 30 1986 compared with 170p six months earlier. Net revenue for the six months to the end of June fell from £60,700 to £42,000. Earnings per share came out at 0.249p (0.479p) and the interim dividend is being maintained at 0.4p.

Losses mount at Jebsens

Jebsens Drilling yesterday announced interim pre-tax losses of £11.3m, against £8.8m, blaming the continuing weak market in the first three months of the year followed by a slump in day rates, which was triggered by the oil price fall and resultant cut backs in exploration.

Turnover for the first six months of 1986 was £11m lower at £8.3m. The company, which has a USM quotation, owns and contracts offshore drilling units.

Jebsens said that the present state of the market had necessitated a restructuring of its financial arrangements, which its banks have agreed to in principle.

In conjunction with these arrangements Jebsens' ownership in drillship Pacnorse 1 is to increase from 67.5 per cent to 75 per cent, and at the same time the company is to be relieved of its obligations under guarantees given to financial creditors of Pacnorse 1.

Group attributable losses for the interim period amounted to £6.4m (£5.1m) after tax credits of £3.5m (£2.2m). Loss per share was 39.8p (32.2p). No dividends have been paid since 1983.

Aim just ahead but sees growth

Although turnover improved by 45 per cent at Aim Group, aviation and general engineer, in the year ended April 30 1986, pre-tax profits rose just £6,000 to £1.73m.

The dividend payment for the year is being held at 5.75p, with an unchanged 3.85p final. Earnings per 10p share are shown 0.7p ahead at 9.6p.

Mr R. MacDonald-Hall, the chairman, said he was greatly encouraged by the outlook for the group in the current year. The investments made by the aviation division were virtually complete and coincided with record order books.

After two years of consolidation a period of real growth was immediately in prospect, the chairman said.

John I. Jacobs

A fall from £1.01m to £796,000 in pre-tax profits for the six months to June 30, 1986 was yesterday reported by John I. Jacobs, shipbroker and shipowner. Turnover rose from £876,000 to £1.05m. The interim dividend is unchanged at 1.4p per 20p stock unit—last year a total of 3.6p was paid from pre-tax profits of £1.31m.

The cost of sales was higher at £771,000 compared with £709,000, and administration expenses took £394,000 against £329,000. Investment income and interest was £537,000 (£560,000) and profit on the realisation of investments was lower at £449,000 (£551,000).

Stated earnings per stock unit were down from 3.35p to 2.15p.

ML Holdings 53% growth

ML Holdings, Slough-based manufacturing engineer, reported a 53 per cent improvement in pre-tax profits for the year to March 31 1986, and Mr Ralph Price, the chairman, said the directors were confident of considerable progress during the current year.

They proposed increasing the dividend payment by 1p to 8p, with a higher final of 5.7p (5p). Group earnings rose from 17.9p to 26.5p per share.

The profit rise, from £1.42m to £2.17m, was achieved on turnover 51 per cent ahead at £57.17m (£37.78m).

Sales and profits in ML Aviation increased substantially, the chairman said, and orders and prospects for production work were good.

ML Engineering obtained substantial home and overseas railway system and industrial control contracts.

After tax of £866,000 (£645,000), attributable profits for the year rose from £771,000 to £1.31m.

● **comment**

Improving margins is the real battle for ML Holdings, which for a long time has been hamstrung by the MoD's cost-plus method of pricing contracts. The signs are that the Saudi Tornado contract, priced on a fixed basis, will allow ML more scope to profit from its role in the JP 233 runway wrecking bomb. Although Sprite, the remote controlled reconaissance helicopter, is the sort of product no putative "Big Brother" will want to do without, orders will not come through for another two to three years. The non-aviation divisions (engineering and components) are making solid contributions and may well be strengthened soon through acquisition. With a new financial team taking a much firmer grip on cash handling, this year is likely to see the full benefit from the rights issue on cutting interest costs. Profits of £2.75m look achievable which put the shares at 391p on a undemanding p/e of 12.

COMPANY NEWS IN BRIEF

CHILD HEALTH Research Investment Trust reported a net asset value of 399p (329.2p) per £1 share at the end of the first half of 1986. Available profits were £6,656 (£43,126).

DRAYTON JAPAN Trust saw net asset value per 25p share increase to 854p six months before. Net revenue for the first six months of 1986 came out at £148,300 (£50,100 loss) for earnings of 0.47p (0.26p losses). There is again no interim dividend.

A & M GROUP reported pre-tax profits down from £838,851 to £542,792 in the year to January 31 1986 on turnover up from £3.38m to £4.46m. The pre-tax figure was after an exceptional debit this time of £61,333, which related to a director's emolument of a non-recurring nature. The dividend is unchange dat 0.4p, and stated earnings per share were lower at 0.75p (1.41p).

J. EVERSHED & SON, the unlisted grocery merchant, increased taxable profits by 26 per cent from £393,000 to £495,000 in the 53 weeks to February 2, 1986. Turnover was £50.1m (£38.5m).

MID WYND International Investment Trust had a net asset value of 223.2p at end-June 1986 compared with 177.1p a year earlier. Revenue amounted to £134,127 (£113,485) after tax of £52,499 (£80,783). The dividend for the year is lifted to 2.4p (2.15p), with a final of 1.4p (1.25p). Earnings improved to 2.67p (2.26p) per share.

WOOLWORTH HOLDINGS chairman, Sir Kenneth Durham, emphasised at the AGM that the group had clear strategies in place for each of the businesses and the process of implementing them was in full swing. "We are on target so far and wee look forward to another financial year of excellent progress"

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
145	118	Ass. Brit. Ind. Ord.	131	—	7.3	5.6	8.0	7.5
151	121	Ass. Brit. Ind. CULS	131	—	10.0	7.6	—	—
125	43	Airsprung Group	112	—	7.6	6.8	7.0	6.3
46	28	Armitage and Rhodes	33	—	4.3	13.0	4.1	4.9
185	108	Bardon Hill	185	+1	4.6	2.5	21.0	19.3
79	42	Bray Technologies	79	+1	4.3	5.4	9.4	8.6
201	75	CCL Ordinary	80	—	2.9	3.6	5.7	8.9
152	88	CCL 11pc Conv. Pf.	86	—	15.7	18.3	—	—
227	80	Carborundum Ord.	227	+1	9.1	4.0	11.0	11.2
94	83	Carborundum 7.5pc Pf.	90	—	10.7	11.9	—	—
65	46	Deborah Services	65	—	7.0	10.8	6.8	8.9
32	20	Frederick Parker Group	23	—	—	—	—	—
125	50	George Blair	123	—	3.8	3.1	3.2	4.6
69	20	Ind. Precision Castings	69	—	3.0	4.3	18.2	15.2
218	158	Isis Group	166	—	15.0	9.0	12.8	19.1
120	101	Jackson Group	120	—	6.1	5.1	8.2	7.3
359	228	*James Burrough*	359	—	*17.0*	*4.7*	*10.1*	*9.2*
100	85	James Burrough 9pcPf.	100	—	12.9	12.9	—	—
95	56	John Howard Group	57	—	5.0	8.8	—	—
890	342	Multihouse N.V.	890	—	—	—	46.6	60.8
380	260	Record Ridgway Ord.	374	—	—	—	6.7	11.5
100	89	Record Ridgway 10pcPf	89	—	14.1	15.8	—	—
82	32	Robert Jenkins	73	—	—	—	3.2	4.6
36	28	Scruttons "A"	35	—	—	—	—	9.0
97	66	Torday and Carlisle	97	+1	5.7	5.9	5.9	6.0
370	320	Travien Holdings	320	—	7.9	2.5	6.7	8.8
67	25	Unilock Holdings	66	—	2.8	4.2	12.2	11.4
200	93	Walter Alexander	200	+5	8.6	4.3	11.3	13.8
226	180	W. S. Yeates	180	—	17.4	9.2	19.0	21.1

	6 months to 31:5:86 £000	6 months to 1:6:85 £000	12 months to 30:11:85 £000
Turnover	6,209	5,080	11,984
Profit before taxation	547	391	1,542
Earnings Per Share	3.38p	2.23p	9.12p
Dividend Per Share	1.765p	1.765p	2.5p

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	168	136	‡Accord Publications 5p	165	−2	Rd3.1	2.6	2.6	20.9
‡‡	F.P.	15/8	127	108	‡Airsprung Group 10p	112	......	5.4	2.8	6.8	7.4
§115	F.P.	22/8	141	128	‡Anglia Sec Homes 10p	141	......	R1.63	5.0	1.6	17.4
115	F.P.	11/7	190	155	Arlington Sec. 10p	173	......	b1.7	4.3	1.4	23.7
§115	F.P.	—	125	120	‡Atlas Conv'ting Equ 5p	123	......	R4.9	2.3	5.6	11.1
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	70	......	L1.0	4.2	2.0	16.8
‡‡	F.P.	—	289	280	BTR Nylex A$0.50	286	......	Q15c	2.7	2.2	17.1
§145	F.P.	15/8	158	145	‡Beaverco 5p	150	......	u5.0	2.4	4.7	11.9
‡‡	F.P.	—	53	41	Bertrams Inv. Tst	45	......	—	—	—	—
§37½	F.P.	25/7	43½	38	‡Bipel 5p	42½	+½	R1.23	3.1	4.1	10.6
125	F.P.	8/8	147	128	‡Borland Intl. Inc	147	......	u02c	1.4	0.9	20.6
§63	F.P.	6/8	69	61½	‡Camotech 10p	66	......	R2.0	2.4	4.3	13.5
§110	F.P.	18/7	115	85	‡C'bell & Armstrong 5p	98	......	u3.91	1.9	5.6	12.5
§125	F.P.	7/8	135	128	‡Chelsea Man 5p	128	−1	L2.2	2.8	2.4	21.1
100	F.P.	—	85	84	Child Med C.J.T.£1‡‡	85	+1	—	—	—	—
‡‡	F.P.	18/7	110	85	Clarkson (Horace)	100	......	L4.75	1.5	6.7	13.7
¶¶	F.P.	—	100	57	Clayform Warrants	60	......	—	—	—	—
§84	F.P.	1/8	91	84	‡Coated Electrodes 5p	90	......	u3.9	1.6	6.1	14.0
§70	F.P.	22/8	74	71	‡Fletcher Den'ys S. 5p	73	......	L2.5	1.9	4.8	15.5
210	F.P.	—	208	191	G. T. Management 1p	203	......	R5.0	3.4	2.1	17.1
150	F.P.	25/7	156	150	Guthrie Corp	154	......	u5.3	2.2	4.8	9.9
150	F.P.	15/8	161	156	Harrison Inds. 10p	156	......	g5.0	2.7	4.5	11.7
§92	F.P.	29/8	95	87	‡Hille Ergonom 10p	95	+3	L2.0	3.1	3.0	12.8
§85	F.P.	24/7	117	90	‡Hodgson Hldgs 5p	110	......	R2.13	2.3	2.7	20.0
§20	F.P.	15/8	25	21½	‡Hughes Food 5p	24½	+1	R0.5	2.8	2.9	17.6
—	F.P.	—	£37	£36	JF Pacific Warrant S.A.	36½	......	—	—	—	—
§30	Nil	—	325	180	Joel (H.J.) Ltd Units	180	......	—	—	—	—
§154	F.P.	13/8	159	157	Kleinwort Dev. Fnd	158	......	—	—	—	—
100	F.P.	15/8	90	85	‡M6 Cash & Carry	87	−1	u3.55	2.1	5.7	9.7
¶500	F.P.	29/8	516	427	Morgan Grenfell £1	435	+5	18.5	—	2.8	—
§120	F.P.	29/8	120	110	‡Per. Computers 5p	110	......	R3.0	3.3	3.8	11.2
§113	F.P.	29/8	114	112	St. David's Inv. Tst. Inc.	112	......	N6.8	—	8.6	—
§75	F.P.	29/8	77	75	Do Cap.	75	......	—	—	—	—
§72	F.P.	15/8	160	99	‡Shield Group 5p	130	+5	L2.0	3.1	2.2	19.0
§165	F.P.	1/8	184	160	‡Smallbone 10p	160	......	u5.0	2.1	4.4	14.9
—	F.P.	—	55	43	Smith Newcourt War'ts	55	+3	—	—	—	—
§40	F.P.	31/7	42	35	‡Soundtracs 5p	37	......	b1.2	2.8	4.6	11.0
§98	F.P.	6/8	106	98	‡Space Planning 10p	100	......	R1.8	3.4	2.5	16.3
§130	F.P.	28/8	125	119	Stanley Leisure	124	......	u3.25	2.8	3.7	13.7
130	F.P.	21/8	149	150	‡TV-am 10p	150	−1	R5.75	2.6	5.4	10.0
§95	F.P.	25/7	114	104	‡Task Force 5p	108	......	R1.78	3.8	2.3	16.0
112	F.P.	8/8	130	116	Tenby 50p	129	−1	u4.0	2.6	4.4	10.0
190	F.P.	1/8	242	219	Thames TV	223	−1	u9.5	1.9	6.0	12.5
120	F.P.	6/8	130	100	Tibbet & Britten 5p	125	......	R3.5	2.6	3.9	14.0
§63	F.P.	22/8	68	66	Unilock 20p	67	......	1.98	2.7	4.2	12.7
‡‡	F.P.	—	160	152	VSEL Consortium £1	158	......	W5.68	4.3	7.5	3.4
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	100	......	—	—	—	—
106	F.P.	22/8	112	107	Windsmoor 5p	107	−5	u3.25	2.3	4.3	14.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
§97.947	£25	17/9	27¼	25⅛	Bankers Inv. Tst. 10½% Deb. 2016	26½	+¼
§99.256	£30	29/8	30⅛	26¾	Brit. Alcan Aluminium 10⅛% Deb. 2011	27¾	+⅛
§94.208	£25	31/10	25¼	22¾	Brixton Est. 9.5% 1st Mort Deb 2026	23½	......
§100p	F.P.	15/8	107p	105p	Business Mortgages Tst. 8.6% Cum Prf.	106p	......
109.89	£40	29/8	40	36½	Estates & Gen. 11¼% 1st Deb. 2018	37¼	+½
§94.45	£30	31/10	32¼	28	European Inv. Bank 9% Ln 2001	29¾	+¼
‡	F.P.	29/8	115p	102p	‡Ferguson 12% Cm Uns Ln 1992-97	115p	+5
96.114	£25	24/10	27¾	24¾	Globe Inv. 10% Deb. 2016	25¾	......
§99.054	£40	12/9	41⅝	39⅝	Govett Strat. Inv. Tst. 10⅛% Deb. 2016	40¾	......
97.963	£25	24/10	25¾	19	Gt. Portland 9½% 1st. Mort. Deb. 2016	20	......
—	—	—	29	28½	JF Pacific Warrant S. A. Pref.	28½	......
105.523	£25	21/8	26	18	Land Securities 10% 1st. Mort. Deb.25	19	......
§99.799	£25	24/9	24⅝	20¾	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	21¼	−⅛
¶¶	F.P.	—	101	95	Mercury Intl. 7⅝% Cum Pref.	95	......
‡‡	F.P.	—	156p	136p	Morgan Grenfell 11¼% Cum Prf.	136p	......
—	F.P.	—	100	99	Nationwide 9⅞% 6/7/87	99⅝	......
—	F.P.	—	100⅛	99¾	Do. 10⅛% 27/7/87	99⅞	......
§99.937	£25	24/10	25⅛	23¾	Do 3⅞% IL Ln. 2021	24	......
§100	£10	2/9	9	8	Newcastle & Gate. Wtr. 7% Red. Prf. 94/6	8	......
¶¶	F.P.	—	107	104	Rea Bros. 8.6% Cnv Prf	107	+1
§105	£50	10/10	46	43	Smith New Court 12pc Uns. Ln. 2001‡‡	43	......
‡	Nil	—	5pm	4pm	Utd Leasing 9½% Con Sub Uns Ln 1998–01	4pm	......
‡‡	F.P.	—	101¾	101¾	VSEL Cons.11% Uns. Ln. 1996	101¾	......
—	F.P.	—	110	107	Wight C'ns Cx. Cm. Rd. Prf. 1999 10p	109	......
100	£30	12/9	50¾	46	Witan Inv. 8½% Deb 2016	47	+¼

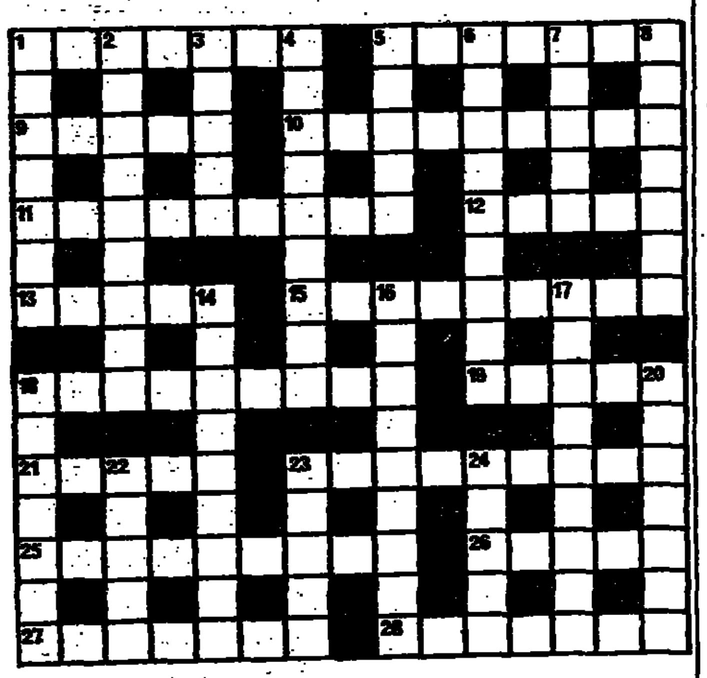
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
49	F.P.	29/8	85	66	Abaco Invs. 5p	71	−3
12	Nil	—	1¼pm	½pm	Barker & Dobson 1p	½pm	−¼
250	F.P.	12/9	280	243	Boase Massimi Pollitt 12½p	258	−4
170	Nil	2/9	23pm	16pm	Coloroll 10p.	21pm	+1
145	Nil	20/8	40pm	26pm	Dataserv. Inc. 5c.	26pm	−1
130	F.P.	14/8	146	132	Erskine House	141	+1
165	Nil	28/8	20pm	3pm	Expamet Intl.	3pm	−1
5	Nil	—	16pm	12pm	‡Hobson 5p	17½pm	+1½
215	F.P.	15/8	278	225	Intl. Signal & Control 10c	233	+8
330	Nil	26/9	77pm	75pm	London United 20p.	75pm	−2
200	Nil	29/8	25pm	10pm	‡Meadow Farm Prod. 10p	15pm	......
120	Nil	19/9	23pm	17pm	Medminster 10p	23pm	......
£14	Nil	12/9	245pm	220pm	Priest Marians £1	245pm	......
35	Nil	—	30pm	30pm	‡Rockwood 10p	30pm	......
44	Nil	28/8	6pm	1½pm	‡Sheraton Secs. 10p	1½pm	−1½
125	Nil	24/9	15pm	11pm	‡Tod 5p	15pm	......
90	Nil	17/9	2½pm	1pm	Top Value Inds. 10p	2pm	......
38	F.P.	29/8	40½	37	‡Yelverton Inv. 5p	37	......
41	Nil	29/8	35pm	22pm	‡York Mount	24pm	+1

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE No. 6088

DANTE



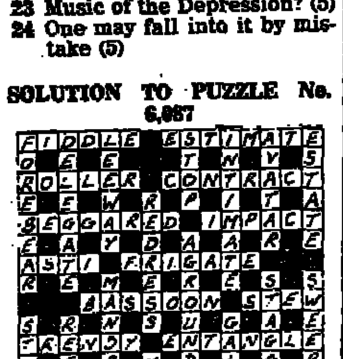
ACROSS

1 Such matters are usually kept secret (7)
5 Information from base? (3-4)
9 VAT, say, for nails (5)
10 I'm in a race for life (9)
11 She may take the wheel with *dazzling effect* (9)
12 Pass two points in Lancashire town (5)
13 Possibly showed off Eastern craft (5)
15 State of recently-purchased garment? (3, 6)
18 Talk of devilled kidneys perhaps? (9)
19 Test the patience of a good man at a meeting (5)
21 Inclined to speak fast (5)
23 How seasick *people* feel on disembarking (6, 3)
25 With us details can produce weariness (9)
26 Girl takes new road round capital of Hawaii (5)
27 The runs arranged for horses (7)
28 Church shamefaced about black magic (7)

DOWN

1 Formic solution to indigestion? (7)
2 Disagreeing about one point, tongue-in-cheek (9)
3 One result of a marriage publication (5)
4 Shopkeeper bursts into tears (9)
5 I have knowledge about something currently seen in France (5)
6 Not a strong-box for one who may need lots of medicines (4, 5)
7 Renovated *5 down college* (5)
8 Home shared by unmarried sisters (7)
14 It's bound to mean a drop in wages for a brief period (5, 4)
16 They struggle to make a living (9)
17 Tell people you've had enough, then keep quiet (3, 2, 4)
18 She robbed her sleeping partner of his capital assets (7)
20 Slight quarrel over some gauzy fabric (7)
22 Painter upset over issue that gives offence (5)
23 Music of the Depression? (5)
24 One may fall into it by mistake (5)

SOLUTION TO PUZZLE No. 6,087



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 — 01-929 1532

American Tst.	62.8	67.6	+0.2	1.7
Far East & Gn. Tst.	103.5	110.2	−0.7	0.9
Intl. Growth Tst.	68.9	73.4	+0.8	0.7
Income Tst.	82.5	88.8	−0.4	5.6
Japan Growth Tst.	125.4	134.9	−0.6	0.2
Small Cos. Tst.	109.7	118.0	+0.5	2.0
Tchnlgy. Tst.	33.1	35.5	+0.1	0.2
Australia Trust	34.3	36.8	−0.8	2.1
UK Trust	126.6	134.7	−0.9	2.7
European Growth Tst.	51.6	54.9	+0.9	1.1
Hong Kong Tst.	22.9	24.4	+0.1	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh — 031-225 1551

Australasian Gold	16.1	17.2	—	0.25
Pacific Basin	12.6	13.4	−0.3	0.2
Canadian Balncd Grwth	56.2	60.1	+0.2	0.98
Ginnie Mae	102.1	105.3	+0.1	7.3

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS — 0272 428431

British Smlr Co's (z)	56.4	58.0	+0.4	1.50
British Growth (z)	66.0	67.9	+0.1	2.00
British Income (z)	64.4	66.2	+0.1	5.00
British Extra Yield(z)	50.7	52.1	—	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT — 01-606 9085/6

Short Dtd Gilt Fd	67.6	68.7	—	0.00
U.S. Govmt Bond F	0.506	0.509	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD — 01-405 8331

Capital & Equity Tst	47.5	50.6	+0.2	7.84
Growth Trust	49.9	53.1	−0.2	2.30
Income Trust	52.5	55.9	+0.1	5.29

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY — 01-588 0592

Cannon Assurance Ltd—Continued

Index	110.4	116.8	—	—
Far East	178.9	189.3	−0.5	—
Global	94.1	99.4	−0.7	—
European	98.2	103.9	+0.4	—
Japan	110.2	116.6	−0.2	—
2nd Series Pension Accumulation				
Equity	477.7	505.5	+3.9	—
High Income	315.8	334.2	+2.5	—
Property	281.1	297.5	—	—
Managed	334.7	354.2	+1.0	—
Deposit	250.7	265.3	—	—
Gilt	254.6	269.4	+0.9	—
American	375.5	397.4	−0.6	—
International Money	273.3	289.2	−0.7	—
Index	120.8	127.8	+0.1	—
Far East	194.5	205.8	−0.3	—
Global	94.1	99.6	−0.8	—
European	99.1	104.9	+0.5	—
Japan	114.3	121.0	−0.2	—
Other Funds				
Equity Units		64.95	+0.44	—
Property Units		21.33	—	—
Equity Bond/Exec	40.63	42.99	+0.27	—
Property Bond/Exec	28.77	30.44	—	—
Balanced Bond/Exec	33.13	35.06	+0.10	—
L&E SIF 1	108.5	115.0	+0.5	—
L&E SIF 2	71.0	75.5	+0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ — 031-225 1655

Ivory & Sime Bond	100.0	106.0	—	—
Risk & Reward Bond	116.0	123.0	−1.0	—
Murray Johnstone Fd	116.0	123.0	—	—
Money Market Fd	100.0	106.0	—	—
Ivory & Sime Pens Fd	96.0	102.0	—	—
Risk & Reward Pens Fd	99.0	105.0	—	—
Murray J'stone Pens Fd	114.0	120.6	—	—
Money Market Pens Fd	100.0	106.0	—	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA — Tel: 0908 606101/660888

Current Series				
Property Fund	111.2	117.1	−2.8	—
Money Fund	220.1	231.7	—	—
Managed Fund	401.7	422.9	+1.6	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

World Fund SA
2 Boulevard Royal, Luxembourg
World Fund NAV | $18.17 | | +0.14 | —

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd | $16.10 | | +0.16 | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech | $18.74 | | +0.04 | —
Dynamic Grwth Fd | $20.16 | | +0.08 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund | $11.86 | 12.55 | | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.50		+0.05	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.52	7.14	10.17	6mth
7-day Fnd	9.44	7.08	10.09	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.42	7.06	10.08	6-Mth
7-day Fund	9.56	7.15	10.25	6-Mth
Dollar	5.25	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chr Acc	9.25	6.80	9.62	Qtr
Aitken Hulme 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.96	Qtr
Mth. Inc. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.59	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.25	7.64	11.17	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.50	7.10	10.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.20	6.80	9.91	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.45	7.06	10.21	Qtr
Money Acc	9.36	7.00	10.12	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.125	6.82	9.52	Mth
Over £10,000	9.375	7.03	10.28	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 224141				
High Int Chq Acc	9.87	7.27	10.66	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.00	8.22	—	Qtr.

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	38
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brixt. Oil & Min	2½
Hanson Tst.	16	Brit Petroleum	46
Hawker Sidd	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	3½
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	38		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Drought threatens US soya crop

By Nancy Dunne in Washington

THE DROUGHT which has ravaged the US eastern seaboard has spread west and is now threatening large sections of the US soyabean crop.

According to Dr Norton Strommen, a US Department of Agriculture meteorologist, the hot, dry weather is rapidly depleting moisture reserves in Alabama, Louisiana, Mississippi, Arkansas and parts of Texas, Kansas, Missouri and Tennessee. No long-term relief is yet in sight.

As much as 20 per cent of the American soyabean harvest could come under stress in the new drought area. About 12 per cent of the crop has already been damaged in the long hot weather spell which has affected states from Pennsylvania to northern Florida.

The USDA has estimated more than $2.3bn in damage in the drought so far which with the accompanying heat wave has contributed to more than 60 deaths in the south and the midwest.

The maize belt in the midwest is so far unaffected by the poor weather, Dr Strommen said, and even if the drought spreads further, most of the grain will emerge undamaged.

The USDA has declared 39 South Carolina counties as disaster areas, so that farmers can be eligible for low interest loans. More such disaster areas are bound to be proclaimed.

Argentina seeks Soviet grain sales boost

By Tim Coone in Buenos Aires

ARGENTINA is to press the Soviet Union to increase grain purchases in 1987 at talks to be held later this year.

Mr Ramon Da Bouza, the national director of economic policy in Argentina's Economy Ministry, said yesterday that the precipitous fall in Soviet purchases of Argentinian grain this year was seen "with great concern."

The sale of subsidised grains by the EEC and the possible extension of US export subsidies to the Soviet Union has worried Argentinian economic planners, who are facing the loss of their principal customer since the early-1980s.

In January this year, the Soviet Union signed an agreement with Argentina to purchase 4.5m tonnes of grains per year over the next five years, already well down on the peak figure in 1981 of 15m tonnes, and Mr Da Bouza said: "It is likely that the Soviet Union will not even keep to this agreement this year."

To date, grain sales to the USSR from Argentina have only reached 800,000 tonnes this year. Argentina normally exports some 20m tonnes of grain per year and has plans to double this figure by the end of the century.

Mr Da Bouza said that Argentina had made efforts to respond to Soviet requests to increase its own purchases from the Soviet Union to balance their bilateral trade and has increased its imports from $20m in 1980 to $70m last year. Further trade agreements currently being negotiated, including the purchase of turbines for a hydro-electric plant, electrification of parts of Argentina's railway system, and the dredging of Argentina's principal grain port at Bahia Blanca, would be worth a further $300m to the Soviet Union over the next three years.

S African company drills for platinum in Botswana

BY JIM JONES IN JOHANNESBURG

GOLD FIELDS of South Africa (GFSA), which recently announced plans to open a platinum mine near the Western Transvaal town of Northam, has extended its platinum exploration activities into Southern Botswana. GFSA's exploration teams are drilling over an area of 3,000 sq km just north of the Molopo River which separates Botswana from South Africa.

The area was drilled three or four years ago by the Botswana Geological Survey (BGS) and this indicated rocks with similar characteristics to those of the Bushveld Igneous Complex (BIC), the great arc of mineralisation which contains about three-quarters of the world's platinum reserves and four-fifths of the chrome. The BGS's initial drilling programme indicated platinum and palladium grades in the region of one gramme per tonne, which is about one-sixth of the grades exploited by the South African platinum mines.

Mr Bruce Forsyth, GFSA's director responsible for new business ventures, says that the duration of the drilling programme will depend on results. He adds, though, that any decision on establishment of a mine is several years off.

The ground over which GFSA has prospecting permits lies next to 3,100 sq km which are to be explored by Southern Prospecting (SP), a small South African exploration company. SP plans to raise A$8m (£3.3m) in the next few months through Wilson and Co, the Brisbane stockbrokers, to finance its exploration in Botswana. Prospecting rights over a further 2,500 sq km are held by Johannesburg Consolidated Investment (JCI) which manages Rustenburg Platinum in South Africa.

GFSA has not yet disclosed plans for refining the platinum matte to be produced from its Northam mine, but Johannesburg stockbrokers believe that a decision on a refinery will be delayed until more drilling information is available from Botswana. The Molopo area is comparatively close to Northam, the brokers point out, and there could be sanctions-busting advantages to establishing a refinery in Botswana rather than South Africa. Mr Forsyth says that GFSA has not considered establishing a refinery in Botswana.

Dollar fall lifts Israeli farm export earnings

BY JUDITH MALTZ IN TEL AVIV

AGREXCO, ISRAEL'S state-run agricultural marketing organisation, increased its export earnings in the 1985-86 season by 37 per cent to $220m. The volume of exports rose by 5 per cent to 200,000 tonnes.

Mr Amotz Amiad, Agrexco's director general, attributed this performance mainly to the strengthening of European currencies relative to the US dollar, to which the Israeli currency is pegged, and to higher prices offered in Europe for Israeli produce. The bulk of Israel's agricultural exports are sold in Western Europe.

The Israeli state company expects its overseas sales to climb to $240m in the current season, thanks largely to a forecast 50 per cent jump in fruit sales to $90m. A $1m marketing campaign in France to promote avocado exports is planned for the coming year, said Mr Amiad.

Other major developments expected this season are a small increase in grape exports to 5,500 tonnes, and a near doubling of mango exports from 1,500 tonnes to 2,800 tonnes and in persimmon exports to 3,500 tonnes.

Agrexco markets all of Israel's agricultural produce except for citrus fruit and cotton. The past year marked the first time that it managed to out-perform the better-known Israel Citrus Marketing Board in terms of total export volumes.

The company said its most successful export item last year was cut flowers, which showed a 60 per cent increase in earnings to $80m. Total vegetable sales overseas came to $46m, while fruit exports reached $65m. Avocados, a booming product, accounted for the lion's share of fruit exports, with over 87 per cent of the total 60,000 tonne volume.

According to Mr Amiad, exports did not increase overall as much as had been hoped because many farmers have switched their produce to the domestic market, where higher prices were on offer.

Japan halts South African citrus imports

By Jim Jones

SOUTH AFRICA'S R80m (£20m) a year grapefruit and lemon exports to Japan have been halted by a Japanese Government refusal to allow its sanitary inspectors to work in South Africa. The restriction has been introduced because of Japanese fears for the safety of the inspectors under South Africa's state of emergency.

Japan will only accept imports of citrus fruit which have passed strict sanitary and fruit fly checks by Japanese inspectors in the country of origin. Fruit fly by sterilisation involves putting the fruit into cold storage for longer than is normally required by other countries and this has to be supervised by Japanese Government inspectors.

Mr Cameron Mconie, the general manager of South Africa's Citrus Exchange, says that exports to Japan have stopped completely, but he says that sales are planned to other far eastern countries whose health requirements are less strict than Japan's. South African citrus growers, who are currently harvesting a bumper citrus crop, had hoped to increase their sales to Japan by about 16 per cent this year and additional sailings had been planned by Safari services, the principal carrier.

Changes considered for rubber index futures

BY ANDREW GOWERS

MEMBERS of the London rubber market are considering whether to redraw the rubber index futures contract which has flopped since being launched in April.

The London Rubber Terminal Market Association has circulated a questionnaire to members asking what changes to the contract might stimulate trade interest. A decision on the future of the contract is likely in September.

Although the contract did attract some interest when it started—trading around 50 lots a day on average—volume has since dwindled away completely. Members who met to consider the position earlier this month gave differing explanations for the slump: some blame the exchange rate formula used to calculate the index; some attribute it to the complexity and unfamiliarity of the index itself; others cite the fact that the contract has been poorly promoted.

But the contract has clearly failed to draw anyone away from using the main rubber markets in the Far East—the main object of relaunching rubber trading in London after the demise of its previous contract last year.

Potential American customers have been deterred by the fact that the index is quoted in sterling, while some other foreign users were discouraged early on by the difficulty of unwinding positions taken in the market.

● The Sydney Futures Exchange is trying to revive interest in its greasy wool futures contract, which has fallen on hard times in the past few years after being the world's premier wool futures contract in the 1960s and 1970s. It has changed the contract specifications and removed the possibility of physical delivery of wool, which it hopes will make it more attractive to the domestic wood industry and overseas buyers.

French tuna fishermen to get EEC aid

By Tim Dickson in Brussels

THE EUROPEAN Commission yesterday announced compensation terms for French fishermen hit by this year's collapse in the world price of tuna.

A new regulation agreed in Brussels this week guarantees the recipients Ecus 170 per tonne over 10 kilos or Ecus 105 per tonne under 10 kilos for catches of yellowfin tuna landed in the first three months of the year. The total cost of the measure is not expected to exceed Ecus 1.75m.

The support has been automatically triggered by a controversial interventionist mechanism of the Common Fisheries Policy.

This provides for Community support when the tuna price falls below 90 per cent of a given threshold.

The slide in prices—which began on world markets in mid-1983 and follows a near doubling of tuna production since 1970—only started to hit Europe hard in the last 18 months.

Saudi Arabia's cereal dilemma

BY FINN BARRE IN RIYADH

THE SAUDI Arabian Government, faced with an increasingly costly surplus of wheat grown in the desert and a subsidised import bonanza in barley, is considering extending subsidies to barley production.

Last year, the Kingdom's livestock population of more than 2.5m sheep, 200,000 camels and 1.4m goats munched their way through almost 5.5m tonnes of imported barley—subsidised by the Government at SR300 ($80) a tonne or a total cost of $440m.

At the same time, wheat production in the Kingdom—subsidised at SR 2,000 a tonne, or some five times the world market price—has been soaring. The Saudis consume up to 900,000 tonnes of wheat per year, but this year's harvest is estimated at 2m tonnes. That implies a cost of $1.06bn on direct production subsidies alone—excluding soft loans to farmers and subsidies on equipment, fertilisers, water and electricity.

The Kingdom simply does not have enough storage space for its wheat, and has started exporting significant quantities. Recently, for example, it gave away 200,000 tonnes to Egypt amid great fanfares in the local press, and wheat has also been sold — at a tremendous loss—to Jordan and Bahrain.

Last year, the Ministry of Agriculture proposed putting production curbs on the larger farms, but political pressure overturned the decision before it was implemented.

So attention is naturally turning to barley. A Government subsidy of SR 1,000 a tonne has been suggested.

Apart from the fact that boosting local production would mean savings on import subsidies, there are several other factors which favour a move to subsidising barley cultivation.

● Farmers would be able to shift their production quite easily to barley, without changing their pivot irrigation systems or their machinery.

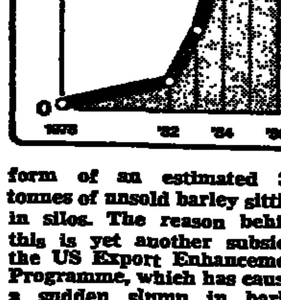
● The big farming companies are keen to grow barley—provided, of course, there is Government help. One of them, the Hail Agricultural Development Co (Hadco), has already begun raising barley on an experimental basis.

● Agricultural experts in the Kingdom say barley is less expensive to grow than wheat. The UN Food and Agriculture Organisation reckons that the cost of raising wheat stands at about SR 1,250 a tonne, while it costs SR 1,000 a tonne or less to grow barley.

There are, of course, other interests working against the move. Bulk barley importers, many of whom have princely connections, will be loath to lose the business.

But they have their own problems at present, in the form of an estimated 3m tonnes of unsold barley sitting in silos. The reason behind this is yet another subsidy: the US Export Enhancement Programme, which has caused a sudden slump in barley prices in the Kingdom and made grain bought earlier at higher prices unprofitable.

Saudi wheat output



For the moment, the Saudis have made no firm decision on whether to shift production subsidies. The whole issue is of great political sensitivity. It would also require the establishment of a whole new infrastructure to handle the purchase, storage and distribution of barley as the Grain Silos and Flour Mills Organisation does for wheat.

But experts say the Government has little choice. The growing wheat surpluses are simply too expensive, and the barley import boom is too fast, furious and prone to abuse.

● Pakistan, a traditional wheat importer, is expected to export wheat in 1986-87 because record supplies from large carryover stocks and another bumper crop are creating storage problems, according to the US Department of Agriculture, reports Reuter from Washington.

In its world production and trade report the Department said after importing an average of 1.3m tonnes in 1984-85 and 1985-86, an initial export target of 500,000 tonnes has been announced for 1986-87, with Iran considered the most likely destination. To compete with Iran's traditional suppliers—Australia, Canada, Argentina and the EEC—Pakistan will probably have to subsidise its wheat sales or negotiate a barter agreement.

LONDON MARKETS

A BELATED reaction to the dollar's recent weakness, coupled with deepening concern about the South African situation, boosted the gold price sharply yesterday. On the London bullion market the price rose $6.875 to a six-month high of $358.875 a troy ounce. On the coffee futures market meanwhile unrelenting downward pressure from the New York market finally broke the resistance to a heavy sell-off which had been apparent in London. And with roaster buying on the physical market drying up the market went into free fall, with the September position ending £129 lower on the day at £1,742.50 a tonne. Concern about drought damage to the Brazilian crop had pushed prices sharply higher some weeks ago, but sporadic heavy rains have eased immediate fears and the London market has been in gentle decline all this week. The downturn which started on the cocoa market on Wednesday was extended yesterday with the September position ending £29 down at £1,315.50 a tonne, wiping out the remains of Monday and Tuesday's gains.

LME prices supplied by Amalgamated Metal Trading.

INDICES

MAIN PRICE CHANGES

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

MEAT

SUGAR

POTATOES

RUBBER

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

FREIGHT FUTURES

US MARKETS

PRECIOUS METALS futures rallied sharply, triggered by Japanese buying interest overnight followed by gains on the London bullion market due to short-covering and bullish fundamentals in anticipation of sanctions against South Africa, reports Heinold Commodities. Gold opened trading up to $8.50 higher, platinum gained over $10 in the first 30 minutes trading. The weaker dollar also aided the move which was supported by good trade buying early on the day. Locals pushed values higher again later in the session when further buystops were triggered to break resistance at 370 basis December and prices finished the session some $11 higher, with platinum closing around $17 gains. New York coffee prices collapsed under the weight of heavy fund selling. Forecasts for favourable weather in Brazil and recent rainfall while ruling out drought damage in the near future led commission houses and speculators, who had bought futures during last weeks' rally, to liquidate long positions. Large sellstops below 180 basis September were triggered on the opening and values continued to decline steadily during the day to finish with losses of some 10 cents per pound.

NEW YORK

CHICAGO

OIL

GAS OIL FUTURES

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar at new lows

The dollar fell to new lows yesterday after Mr George Shultz, US Secretary of State, said on Wednesday there is room for a further decline in the value of the currency. The bearish undertone was reinforced by another very large US trade deficit of $14.17bn in June, compared with the Japanese surplus for the same month of $7.81bn announced yesterday, and the June West German surplus of $4.7bn published Tuesday. Figures for US leading indicators were delayed until today, but the dollar was not helped by news that factory orders in June had fallen 0.3 per cent, against market expectations of a rise of around 0.7-1.0 per cent.

The dollar fell to DM 2.0930 from DM 2.1135, the lowest close since March 25 1981; to a record Y153.75 from Y156.00; to SFr 1.6775 from SFr 1.6950, the lowest since October 24 1980; and to FFr 6.8025 from FFr 6.8525.

On Bank of England figures the exchange rate index of 111.4 was the lowest since February 5 1982, compared with 112.1 on Wednesday.

The Australian dollar came under further pressure, on a report that Japanese institutions had sold up to A$300m. The Australian currency weakened in spite of support from the Australian Reserve Bank. It fell to Y91.89 in Sydney from Y95.47, and also lost ground to the US dollar, falling to 59.55 US cents from 61.15 cents, and touching a low of 59.20 cents, before the Reserve Bank pushed it back up. Stoploss orders were triggered at 60.60 cents, and dealers said the currency again lacks confidence after receiving support at the beginning of the week from Government moves to relax foreign investment rules.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. June average 1.5089. Exchange rate index fell 0.3 to 72.0, compared with 74.6 six months ago.

Sterling was little changed against the dollar, but lost ground to Continental currencies and the yen. The pound gained 20 points to $1.4920-$1.4930, but lower North Sea oil prices helped push the currency down to DM 3.1225 from DM 3.15; FFr 10.1525 from FFr 10.2150; SFr 2.5025 from SFr 2.5275; and to Y229.50 from Y232.50. The political situation, with regard to the Commonwealth and South Africa, continued to weigh on the pound.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0930. June average 2.2320. Exchage rate index 138.1 against 132.6 six months ago.

The D-Mark advanced against the dollar in Frankfurt, after disappointing US trade figures on Wednesday and the comment by Mr Shultz about a further decline in the value of the US currency. Trading was fairly thin, with several banks already squaring their books ahead of the month-end. The Bundesbank did not intervene when the dollar was fixed at DM 2.0940 in Frankfurt, compared with DM 2.1197 previously, the lowest level since March 25 1981. The US currency continued to decline, closing in Frankfurt at DM 2.0920, against DM 2.1145 previously, after news of the surprising 0.3 per cent fall in June US factory orders.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.75. June average 167.50. Exchange rate index 219.2 against 183.0 six months ago.

Heavy intervention by the Bank of Japan failed to prevent the dollar falling to a record low against the yen in Tokyo. The intervention took place mainly in the morning, and was estimated at about $1bn, as the US currency fell to a record Y153.80, after opening at Y155.15. It rebounded slightly to Y154.15 at the close, compared with Y156.20 on Wednesday, but market volume declined in the afternoon as dealers left short positions open in expectation of a further fall by the US currency. Japan's trade surplus in June was $7.81bn, down from the record $8.30bn in May, but up from $5.72bn a year ago.

£ IN NEW YORK

July 31	Latest	Prev. close
Spot	$1.4925-1.4935	$1.4905-1.4915
1 month	0.44-0.42 pm	0.44-0.43 pm
3 months	1.28-1.24 pm	1.25-1.22 pm
12 months	4.50-4.40 pm	4.42-4.35 pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

July 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4880-1.4970	1.4920-1.4930	0.44-0.41c pm	3.42	1.30-1.25 pm	3.42
Canada	2.0555-2.0625	2.0555-2.0565	0.30-0.20c pm	1.46	0.73-0.58 pm	1.27
Nethlnd.	3.51-3.54½	3.51½-3.52½	1⅛-1⅛c pm	4.26	3⅞-3½ pm	4.19
Belgium	64.47-64.95	64.55-64.65	18-13c pm	2.88	47-38 pm	2.63
Denmark	11.76¾-11.80¾	11.76¾-11.77¾	⅞-⅜ore pm	0.51	1⅛-⅝ pm	0.34
Ireland	1.0525-1.0580	1.0560-1.0570	par-0.10p dis	−0.57	0.10-0.30dis	−0.76
W. Ger.	3.11½-3.14½	3.11½-3.12½	1½-1¼pf pm	5.28	4⅛-3¾ pm	5.04
Portugal	217.56-219.84	218.06-219.70	65-165c dis	−6.30	185-466 dis	−5.94
Spain	201.45-202.80	201.96-202.24	35-80c dis	−3.42	115-180 dis	−2.92
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

DOLLAR SPOT—FORWARD AGAINST DOLLAR

[illegible]

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

FINANCIAL FUTURES

US bonds firm

US Treasury bonds were firm on the London International Financial Futures Exchange yesterday, but long gilt futures finished weaker on the day. September Treasury bonds opened firm at 97-20, boosted by a firmer trend in Chicago overnight and good buying of bonds in Japan. The US Treasury's quarterly refunding requirement of $28bn was also slightly below the highest estimates and helped sentiment. The September contract was sold down to a low of 96-21 on Liffe, reflecting profit-taking, but rose sharply to a peak of 97-21 on news that June US factory orders fell 0.3 per cent, against forecasts of a rise of about 0.7-1.0 per cent. The May decline was revised down to 0.5 per cent from 0.1 per cent, reinforcing the contracts recovery. It closed at 97-15, compared with 96-04 previously.

Long gilt futures for September opened at 120-30, near to the day's high of 121-01, but failed to advance, as sterling continued to look vulnerable against currencies other than the dollar. Dealers said the undertone was good, but there is known to be a strong resistance point at 121-04, and a large amount of tap stock is also overhanging the market at present levels. Selling by jobbers forced the price down to close at 120-09 against 120-26 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	4.24	5.22	—	—	0.06	1.12	—	—
118	2.43	4.01	—	—	0.25	1.55	—	—
120	1.22	2.58	—	—	1.04	2.48	—	—
122	0.35	2.01	—	—	2.17	3.55	—	—
124	0.11	1.22	—	—	3.57	5.12	—	—
126	0.03	0.55	—	—	5.49	6.45	—	—
128	0.00	0.34	—	—	7.46	8.24	—	—
130	0.00	0.20	—	—	9.46	10.10	—	—

Estimated volume total, Calls 392, Puts 404

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	9.31	9.27	—	—	0.01	0.43	—	—
90	7.33	7.52	—	—	0.03	1.04	—	—
92	5.39	6.22	—	—	0.08	1.38	—	—
94	3.57	5.03	—	—	0.27	2.19	—	—
96	2.28	3.59	—	—	0.62	3.11	—	—
98	1.23	2.63	—	—	1.57	4.15	—	—
100	0.43	2.14	—	—	3.13	5.30	—	—
102	0.18	1.39	—	—	4.52	6.55	—	—

Estimated volume total, Calls 82, Puts 105

LIFFE E/S OPTIONS

[illegible]

LONDON SE E/S OPTIONS

[illegible]

PHILADELPHIA SE E/S OPTIONS

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

CURRENCY MOVEMENTS

July 31	Bank of England Index	Morgan Guaranty Change %
Sterling	72.0	−20.1
U.S. Dollar	111.4	+3.6
Canadian Dollar	78.1	−12.5
Austrian Schilling	139.7	+7.7
Belgian Franc	95.8	−7.0
Danish Kroner	87.3	−0.4
Deutsche Mark	138.1	+16.9
Swiss Franc	167.8	+22.7
Guilder	128.8	+13.2
French Franc	69.3	−13.6
Lira	47.2	−15.6
Yen	219.9	+62.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

[illegible]

* CS/SDR rate for July 30: 1.65498.

OTHER CURRENCIES

[illegible]

* Selling rate.

LONDON

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

STERLING INDEX

	July 31	Previous
8.30 am	72.2	72.7
9.00 am	72.1	72.7
10.00 am	72.1	72.6
11.00 am	72.0	72.7
Noon	71.9	72.7
1.00 pm	71.9	72.7
2.00 pm	71.9	72.5
3.00 pm	72.1	72.3
4.00 pm	72.0	72.3

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

London steady but mood improves

Interest rates were little changed on the London money market yesterday, but there was a slightly more optimistic tone, continuing Wednesday's trend. Sterling was steady against the dollar, but remained vulnerable on the cross rates. Excess money supply growth is still seen as a problem, but forecasts pointed towards an improvement in next Tuesday's figure for sterling M3. Three-month interbank finished unchanged at 9 13/16-10 per cent after touching 9 3/4-9 15/16 per cent earlier in the day.

The Bank of England initially forecast a money market shortage of £450m, but revised this to £650m at noon, and to £600m in the afternoon. Total help of £615m was provided.

Before lunch the authorities bought £106m bills outright, by way of £7m bank bills in band 2 at 9 13/16 per cent; £4m local authority bills in band 3 at 9 3/4 per cent; £18m bank bills in band 3 at 9 3/4 per cent; £26m Treasury bills in band 4 at 9 11/16 per cent; and £52m bank bills in band 4 at 9 11/16 per cent.

In the afternoon another £510m bills were purchased outright, through £27m bank bills in band 1 at 9 7/8 per cent; £363m bank bills in band 2 at 9 13/16 per cent; £44m Treasury bills in band 3 at 9 3/4 per cent; £37m local authority bills in band 3 at 9 3/4 per cent; and £39m bank bills in band 3 at 9 3/4 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £679m, with a rise in the note circulation absorbing £30m. These factors outweighed Exchequer transactions adding £130m to liquidity and bank balances above target by £10m.

In Frankfurt call money eased to 4.75 per cent from 5.15 per cent as pressure eased in the money market when banks appeared to be comfortably placed to meet month end minimum reserve requirements. Commercial banks held an average DM 43bn at the Bundesbank over the first 29 days of the month, compared with a minimum requirement of DM 42.9bn.

UK clearing bank base lending rate 10 per cent since May 22

As call money firmed on Wednesday, banks took up DM 2.7bn of funds from the Bundesbank at the Lombard rate of 5.5 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 31)

Three months US dollars		Six months US dollars	
bid 6 5/8	Offer 6 3/4	bid 6 5/8	Offer 6 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

July 31	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	5-10	9⅝-9 11/16	9 13/16-10	9⅞-10	9⅞-10	9⅞-10
Sterling CDs	—	—	9 13/16-9 11/16	9⅞-9 13/16	9¾-9⅞	9¾-9⅞
Local Authority Depos	9¾-10	9¾-10	9⅞-10	9⅞-10	9⅞-10	9⅞-10
Local Authority Bonds	—	—	10⅛	10⅛	10⅛	10⅛
Discount Mkt. Depos	7-9⅞	9½-9⅞	9¾	9¾	—	10
Company Depos	9⅞-10¼	10⅛	10 1/16-10⅛	10 1/16	10	9 15/16
Finance House Depos	—	—	10	10	9 15/16	—
Treasury Bills (Buy)	—	—	9 11/16	9⅝	—	—
Bank Bills (Buy)	—	—	9 13/16	9⅝	9 9/16	—
Fine Trade Bills (Buy)	—	—	10 1/16	10¼	10 1/16	—
Dollar CDs	—	—	6.04-6.45	6.40-6.45	6.45-6.50	6.45-6.70
SDR Linked Depos	—	—	6⅛-6⅜	6⅛-6⅜	6⅛-6⅜	6 7/16-7 1/16
ECU Depos	—	—	7¼-7⅜	7 5/16-7 7/16	7 5/16-7 7/16	7⅛-7¼

Treasury Bills (sell): One month 9 21/32 per cent; three months 9½ per cent. Bank Bills (sell): one month 9 25/32 per cent; three months 9 19/32 per cent. Treasury Bills: Average tender rate at discount 9.5315 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive): 9.824 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from August 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.37 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 10 per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from July 16. Deposits held under Series 5 10 per cent. Deposits withdrawn for cash 5½ per cent.

NEW YORK RATES

(Lunchtime)

[illegible]

MONEY RATES

[illegible]

$WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 30, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of July 30 at 11.00 a.m.
3 months: 6 7/16 6 months: 6 9/16

ECU=$US.999762 SDR1=$US1.19607
Sibor as of July 30 at 11.00 a.m.
3 months: 6 7/16 6 months: 6 9/16

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Greece	Drachma	137.00	Papua New Guinea	Kina	0.9814
Albania	Lek	6.7649	Greenland	Danish Krone	7.979	Paraguay	Guarani (o.c.)	240.00
Algeria	Dinar	4.90	Grenada	E. Caribbean $	2.70		Guarani (d)	685.00
Andorra	French Franc	6.87	Guadaloupe	Franc	6.87	Peru	Intl. (o)	13.95
	Spanish Peseta	137.10	Guam	U.S. $	1.00	Philippines	Peso	20.42
Angola	Kwanza	29.918	Guatemala	Quetzal (o)	1.00	Pitcairn Islands	N.Z. Dollar	1.926
Antigua	E. Caribbean $	2.70		Quetzal (b, i)	2.90	Poland	Zloty (o)	165.17
Argentina	Austral	0.921	Guinea Bissau	Peso	170.479	Portugal	Escudo	147.90
Aruba	Florin	1.80	Guinea Republic	Franc	340.00	Puerto Rico	U.S. $	1.00
Australia	Dollar	1.6345		Franc (f)	300.00	Qatar	Riyal	3.641
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102 3/16	100½	Exch. 14pc 1986	100⅞	-1/16	13.88	9.87
98⅝	94⅞	Exch. 2½pc 1986	98⅝	.....	12.53	7.01
102 11/16	100⅛	Exch. 13¼pc 1987	101½	-1/16	13.05	9.80
100⅞	97 3/16	Treas 10¼pcCv '87	100 1/16xd	-1/16	10.24	9.82
97⅝	92 13/16	Exch 2½pc 1987	97⅝xd	....	2.56	6.84
101⅛	97½	Exch. 10½pc 1987	100⅜	-1/16	10.46	9.82
98⅝	93⅞	Funding 6½pc '85-87‡‡	98 5/16	......	6.61	8.82
101⅛	96 13/16	Treas. 10pc 1987	100⅛	-1/16	10.01	9.79
97 1/16	90⅞	Treas 3pc 1987	96⅛	......	3.12	7.00
104½	99⅜	Treas. 12pc 1987	102 5/16	-1/16	11.72	9.80
99¼	92 13/16	Treas 7¾pc 1985-88‡‡	98 1/16	-1/16	7.91	10.04
104	96¼	Exch 10½pc '88	101 5/16	-1/16	10.40	9.79
102⅝	95⅛	Treas 9¾pc Cv '88	100	-⅛	9.76	9.72
94¼	86⅝	Transport 3pc '78-88	93	-1/16	3.24	6.96
102½	93 13/16	Treas. 9½pc '88	99 3/16	-1/16	9.55	9.69
107 3/16	98 3/16	Treas 11½pc 1989	104xd	-⅛	11.06	9.70
103½	93⅛	Treas 9½pc Cnv. '89	99¼	-1/16	9.57	9.58
92¼	82 5/16	Treas 3pc 1989	89 13/16	......	3.34	7.10
105 3/16	95 3/16	Treas 10½pc 1989	102⅛	.....	10.28	9.62
104 3/16	94¼	Exch.10pc 1989	100⅞xd	-1/16	9.91	9.66
107 3/16	97	Exch 11pc 1989	103⅝	-1/16	10.61	9.60
93 3/16	84½	Treas 5pc 1986-89	91½	......	5.47	8.05
110 3/16	94⅝	Exch 10¼pcCv '89	105½	-⅛	9.72	8.27
114 3/16	103 3/16	Treas 13pc 1990‡‡	110¼	-1/16	11.80	9.43
108⅛	97⅛	Exch 11pc 1990‡‡	104¼xd	-1/16	10.54	9.50
113⅛	101 13/16	Exch. 12½pc 1990	108⅞	-1/16	11.48	9.54
89¼	79⅝	Treas. 3pc 1990	86½	.....	3.47	7.14
100 3/16	89⅛	Treas 8¼pc 1987-90‡‡	97 1/16	-1/16	8.47	9.04
106 1/16	93	Treas. 10pcCv 1990	101¾	-1/16	9.83	9.47
86 3/16	76½	Exch 2½pc 1990	83 11/16	-1/16	3.00	6.94
112 3/16	99 5/16	Treas 11¾pc 1991	108	-⅛	10.88	9.48
94¼	83 3/16	Funding 5¾pc '87-91‡‡	91⅝	......	6.28	7.92
86½	83½	Treas. 3pc 1991●	83¾	.....	3.58	7.06
		Five to Fifteen Years				
110⅝	96 3/16	Exch. 11pc 1991	106	-⅛	10.38	9.50
118¼	103⅝	Treas 12¾pc 1992‡‡	113⅛	-¼	11.27	9.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

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LOANS

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BANKS, HP & LEASING

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Hire Purchase, Leasing, etc.

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MINES—Continued

O.F.S.

Diamond and Platinum

1986 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
£55	£32	Anglo Am. Inv. 50c	£40	...	Q810c	1.0	5.3
527	312	De Beers Df. 5c	390	..	Q55c	5.1	3.7
490	275	Do. 40pc Pf. R5	275	.	Q200c	±	19.0
710	510	Impala Plat. 20c	580	-2	Q135c	1.9	6.0
652	410	Lydenburg 12½c	485	+25	†Q72c	1.0	4.0
790	500	Rus. Plat. 10c	580	+5	Q135c	◆	6.2

Central African

1986 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
210	155	Falcon Z$0c	180	..	Q60c	◆	13.9
17	10	Wankie Col. Z$1	15		†Q5c	13.6	13.9
16	10	Zam.Cpr SBD0.24	11	...	—	—	—

Finance

1986 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
91	65	Afex Corp SA $1.50	65	....	Q7.5c	◆	3.1
£13	425	Ang. Am. Coal 50c	425	.....	Q240c	3.5	14.7
£10¼	630	Anglo Amer 10c	640	....	Q180c	2.0	7.3
£57½	£32	Ang. Am. Gold R1	£32⅝	+⅛	Q1450c	1.1	11.6
£40	£21	Anglovaal 50c	£21	....	Q450c	◆	5.6
23¼	11	♣Clogau Gold 10p	20	-½	—	—	—
123	70	♥Cons Afex Corp	70	..	NQ5½c	—	2.1
537	409	Cons. Gold Fields	414	-8	24.5	1.4	8.3
66	34	East Rand Con. 5p	37	...	1.0	2.1	3.8
820	425	Gencor R1	475	...	†Q170c	1.1	9.3
£10	590	Gencor 40c	650	-25	Q195c	2.2	7.8
33	18	Gold & Base 12½p	21½	...	—	—	—
975	540	Gold Fields S.A. 5c	540	-10	†Q120c	2.0	5.8
£81	£46	Jo'burg Cons. R2	£51	...	Q875c	2.2	4.5
900	530	Middle Wit 25c	575	...	Q155c	◆	7.0
660	450	Minorco SBD1.40	450	...	Q22c	1.2	1.3
575	250	New Wits 50c	275	-25	†Q70c	1.6	6.6
£22¼	£10⅞	OFS Invs 1c	£11⅝	+⅛	ZQ417c	—	11.6
21	9	Rand London 15c	9	...	—	—	—
£25	900	Rand Mines R1	900	....	Q350c	2.8	10.2
425	200	Rand Min. Props. R1	200	..	Q65c	2.6	8.5
100	60	Vogels 2½c	60	.....	Q30c	1.7	13.1

Australians

1986 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
7	1½	♥Abaleen Mins NL	4½	.	—	—	—
7½	3	♥Afro-West A$0.20	4	....	—	—	—
107	64	♥ACM 50c	105	+2	◆	—	—
21	6	♥Aquarius Expln NL	7	..	—	—	—
6¾	4	♥Asia Oil & Minerals	4½	...	—	—	—
8½	3	♥Aust. Hydrocarbons NL	4½	...	◆	—	—
8½	4	♥Australis Mng N.L.	6	...	—	—	—
42	28½	♥Austwhim Res. NL	33	....	—	—	—
19	11	♥Aztec Expln	11	..	ZQ1c	—	3.9
13	6½	♥Balmoral Res.	11	...	—	—	—
230	135	♥Barrack Mines	192	..	Q25c	◆	5.6
*172	50	♥Bond Corp	114	-2	φQ8.33c	◆	3.1
134	89	♥Bougainville 1 Kina	121	+5	Q14%	1.1	6.2
29	18	♥Brunswick A$1	26		—	—	—
358	225	♥CRA $2	231	+3	Q15c	1.7	2.7
88	42	♥Carr Boyd 20c	47	.	Q6c	—	5.5
20	11	♥Central Kalgoorlie	11½	-1	◆	—	—
29½	16	♥Central Pacific	17	.	—	—	—
2¾	1¼	♥Cons Gld Mg Areas NL	1½	...	◆	—	—
18	7	♥Cultus Res NL A$2	7		◆	—	—
75	40	♥Regent Mining A$0.20	50	.....	—	—	—
295	225	♥Renison 50c	277	.....	†Q10c	1.1	1.5
10½	4	♥Samson Expl'n. NL	6¼	.....	—	—	—
206	143	♥Sons Gwalia NL	194	-8	†Q16c	2.2	3.5
14	8½	♥Sthn. Goldfields	9	.....	Q1.5c	2.0	6.9
11	6¼	♥Southern Pacific	8	.....	—	—	—
86	41	♥Southern Res	56	-2	—	—	—
6½	3	♥Southern Ventures 25c	4½	....	—	—	—
24	10	♥Spargos Expl'n.	11	-1	—	—	—
9½	5½	♥Swan Res 20c	7	....	—	—	—
21	11	♥Thames Mining A$0.25	14¼	+¼	—	—	—
53	37	♥Utd Goldfields NL	42	..	—	—	—
21½	11	♥West Coast 25c	13½	-½	—	—	—
12	6	♥Western Coast 25c	6½	....	—	—	—
193	113	Westn. Mining 50c	132	+2	†Q6c	0.7	1.9
140	82	♥Whim Creek 20c	115	-2	Q11c	16.4	4.1
39	20	♥Windsor Res NL	22	-1	—	—	—
12	4½	♥York Resources	11	.....	—	—	—

Tins

1986 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
195	120	Ayer Hitam $M1	140	.....	vQ155c	1.5	28.6
72	19	Geevor	19	.....	—	—	—
83	40	Gopeng Berhad M$0.50	40	.....	φ$0.16	◆	13.9
650	650	Hongkong	650#	.....	—	—	—
36	17½	Jantar 12½p	29	.....	2.5	◆	12.1
28	15	Malaysia Mng. 10c	21	.....	vQ2c	◆	2.5
17	17	♥Pahang	17#	.....	8	—	—
225	150	Pengkalen 10p	175	.....	—	—	—
130	90	Petaling $M1	90	.....	vQ60c	0.2	17.2
130	90	Sungei Besi $M1	90	.....	φvQ43c	—	‡
150	95	Tanjong 15p	95	.....	—	—	—
140	75	Tronoh $M1	80	.....	vQ45c	0.8	14.5

Miscellaneous

1986 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
63½	30	Anglo-Dominion	53½	-½	—	—	—
42	25½	Anglo Utd Dev	28	+½	1.07	◆	5.4
80	45	♥Colby Res Corp.	45	.....	—	—	—
300	120	Cons. Murch. 10c	128	.....	Q100c	◆	15.7
34	26	♣Essex Int. Ir10p	26	.....	—	—	—
102	70	Greenwich Res	85	.....	—	—	—
157	93	Hampton Areas 10p	146	.....	◆1.0	—	1.0
284	165	♥Highwood Res.	267	.....	—	—	—
£19⅛	£13⅛	Homestake Mining $1	£14⅛	....	Q20c	—	1.0
310	175	♥McFinley Red Lake	186	+7	—	—	—
285	172	♥Musto Explorations	172	.....	—	—	—
51	31½	♥New Sabina Res C$1	31½	....	—	—	—
260	200	Northgate C$1	216	+2	—	—	—
790	513	RTZ	533	-7	22.0	2.8	5.8
£164	£115	Do. 9½pcLn '95-2000	£118½	-2	Q9½%	15.5	8.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▮ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	.....
Craig & Rose £1	£11	.....
Finlay Pkg. 5p	42	.....
Holt (Jos) 25p	805	.....
IoM Stm. £1	86	.....
IRISH		
Fund 11¼% 1988	£100⅞	-⅛
Nat. 9¾% 84/89	£98¼	-⅛
Fin. 13% 97/02	£115¼	-½
Arnotts	320	-5
CPI Hldgs	45	+2
Carrol Inds.	152	-3
Dublin Gas	53	.....
Hall (R. & H.)	70	.....
Heiton Hldgs.	29½	.....
Irish Ropes	95	.....
Unidare	285	.....

"Recent Issues" and "Rights" Page 31
(International Edition Page 27)

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18
Aug 11	Aug 28	Aug 29	Sept 8

* "New-time" dealings may take place from 9.30 am two business days earlier.

Confidence falters but blue chip issues close above lowest levels

Confidence faltered when institutional investors stepped back in London yesterday and the rally of the previous two days was rapidly reversed. The reaction was rather surprising, for share and bond markets had opened promising to extend their recovery movement. Wall Street's sharp late turnround on Wednesday and a leading broker's optimism on the outlook for corporate profits and the UK economy were both favourable influences.

Leading stocks edged forward, but the advance soon stalled when it became clear that investors were showing reluctance to enter into fresh trading commitments. The possibility of sanctions against South Africa began to cloud sentiment, causing dullness in many companies with trading interests in that country. Doubts mounted over Opec's ability to agree production cutbacks and market retreated on only a light volume of selling.

From being marginally higher minutes after the opening, the FT-SE 100 share index fell quickly to stand 18 points down at 12.35 pm. Traders tended to attribute the decline to a price markdown as jobbers attempted to avoid sales and maintain balanced book positions. However, a report that the Prime Minister was continuing to resist pressures for sanctions against South Africa touched off a late rally and the FT-SE index closed a net 8.2 lower at 1,558.1.

Gilt-edged experienced a similar trading pattern. Longer-dated stocks initially gained ¼ or so, despite views that any upside potential was limited because of the tap, before slipping rather suddenly. The tap stock, partly-paid Treasury 8¾ per cent 2007, traded up to 24$\frac{11}{16}$, but subsequently eased to close ⅛ lower on balance at 24½. Heavier-priced longs eventually settled with falls ranging to ⅜ and, with the exception of the new stock, index-linked issues also gave ground.

The newcomer, £40-paid Treasury 2½ per cent 2016 "A," fetched a small premium to end at 40$\frac{3}{16}$. Owing to Wednesday's good subscription, which was not unexpected, insufficient supplies were left with the authorities for the stock to operate as a tap.

Midland disappoints

A 29 per cent rise in interim profits to £195m from **Midland** disappointed the market — brokers forecasts had ranged from £200m to £215m — and the shares were sold down to 540p before closing 5 lower on balance at 547p. **Barclays**, meanwhile, encountered renewed nervous selling on fears of economic sanctions against South Africa and dropped to 485p at one stage before rallying to finish 14 lower at 498p; sentiment here was helped in the late dealings by news of the group's Tokyo listing today and the planned New York listing in September. Other clearers closed above the day's lowest levels with **Lloyds** finally 6 off at 386p, after 382p, and **NatWest** unaltered at the overnight level of 518p, after 510p. Elsewhere, **Standard Chartered** were also affected by South African uncertainties and lost 10 more to 722p. Merchant banks were inclined harder in places. **J. Rothschild**, following the annual report and Press comment, were 4 better at 131p. **Hill Samuel** improved 5 at 355p and **Mercury International** gained 15 at 665p.

Sentiment in Composites remained clouded by stockbroker Messel's bearish circular. **General Accident** drifted down 17 to 812p and **GRE** dropped 12 to 843p, while **Commercial Union** cheapened 5 at 299p and **Sun Alliance** 8 at 685p. **Royals** relinquished 5 at 837p.

The recently-privatised warship builder **VSEL**, which was acquired by an employee-led consortium from British Shipbuilders, staged a bright market debut via an introduction; the shares, bought by the employees at 100p per share, opened at 152p and touched 160p in lively trading before settling at 158p.

Breweries rarely strayed from the overnight levels with investors seemingly reluctant to take out fresh positions ahead of the Monopolies Commission's probe into the "tied" public house system. Regionals featured revived speculative support for **Greene King** which advanced 5 for a three-day improvement of 15 to 220p. Salisbury-based **Gibbs Mew** hardened a couple of pence to 150p following the full-year figures.

Blue Circle, 7 down at 568p, after 562p, continued to reflect concern about its South African interests and rumours of a broker's adverse circular, but other leading Building issues held up well. News of a multi-million pound New Zealand building contract failed to excite **Taylor Woodrow** which slipped 2 to 310p. Elsewhere, recently-firm **Cement Roadstone** shed 5 to 118p following news of a £17m acquisition from **George Wimpey**, a penny dearer at 203p. **Wiggins**, a bright feature on Wednesday, added 3 more to 143p following the annual meeting, while **Thomas Warrington** gained 9 to 78p helped by option business. **Johnstones Paints** firmed 5 to 112p in response to the good interim results.

ICI attracted a reasonable two-way business and settled a couple of pence cheaper at 990p, after 985p. Elsewhere in Chemicals, **William Ransom** gained 25 to 330p in a restricted market following the annual results, while **Holt Lloyd** firmed 4 to 92p in reply to a newsletter recommendation.

Leading Retailers failed to extend Wednesday's strong recovery. Investors returned to the sidelines as the surrounding tone deteriorated. **Burton**, however, rallied from an initial dull level of 272p to close unaltered at 278p and **Marks and Spencer** closed a penny easier at 198p, after 195p. **Sears** relinquished 3½ at 114½p and **Coats Viyella** gave up 4 at 478p. Elsewhere, **Asprey** lost 7 to 588p following the annual figures.

Amstrad higher

Amstrad met with renewed support ahead of the launch of its new personal computer and gained 4 more to 126p for a two-day rise of 14. **Cray Electronics** replied to the increased dividend and annual profits with a rise of 7 to 315p, but nervous selling prompted a reaction of 25 to 245p in **Kode**. USM quoted **Brikat** fell 20 to 110p, but **Oceonics** rallied 5 to 20p. Speculative activity continued in **Ferranti**, up 4 more at 122p. Among the Electrical leaders, **British Telecom** edged up a penny to 190p, while **GEC** closed a couple of pence firmer at 196p after the annual report.

Among Engineers, satisfactory preliminary figures left **ML Holdings** 6 better at 391p while buying ahead of next Tuesday's interim statement lifted **Glynwed** 4 to 316p, after 318p. **Birmid Qualcast**, reflecting revived speculative activity, improved a similar amount to 141p. **Wm. Cook**, a good market of late, reacted 20 to 200p, while **600 Group** fell 6 to 100p following the annual meeting. **Wm. Boulton** firmed a penny to 19p on the sale of two subsidiaries.

Against the easier trend among the Food leaders, **Rowntree Mackintosh** attracted a burst of speculative buying and gained 12 to 412p. **Hillsdown Holdings** also moved ahead and touched 285p prior to closing 4 dearer at 282p. **United Biscuits** improved late to close 3 dearer at 238p, but recent takeover favourite **Bejam** shed that much, to 166p. Elsewhere, **Bernard Matthews** touched 256p before closing 12 higher at 250p reflecting aggressive demand in a restricted market. **Bluebird Confectionery** were 5 better at 93p largely reflecting the efforts of a single buyer.

Hargreaves up again

Hargreaves rose afresh to 253p, up 11, following the board's rejection of the Coalite bid and revelation that it had received a number of other approaches; **Coalite** eased a couple of pence to 287p. Elsewhere in the miscellaneous industrial sector, **British Steam** encountered speculative demand and put on 16 to 258p, but **Macarthys Pharmaceuticals** fell 10 to 363p on the disappointing annual results. South African sanction fears prompted weakness in **Reckitt and Colman**, down 30 at 770p, and **Metal Closures**, 10 lower at 143p. **Stainless Metalcraft** revived with a gain of 8 at 190p, but **Wellcome**, reflecting adverse talk regarding the development of its anti-Aids drug, fell to 176p before recovering strongly to close only 4 off on balance at 183p. **AIM Group** ended 3 firmer at 115p after the preliminary results, while renewed speculative demand left **Nu-Swift** 5 to the good at 168p. Profit-taking clipped 5 from **Times Veneer** at 59p, but **Diploma** rallied 8 to 190p. Leading shares closed above the worst with final losses usually limited to a few pence. **Beecham** settled only a penny cheaper at 405p, after 402p, while **Boots** ended a couple of pence lower at 256p, after 253p.

Leisure counters highlighted USM-quoted **Viewplan** which advanced 11 to 68p following a tentative bid approach; the shares have been dull recently following the disappointing preliminary figures.

A volatile market of late since revealing a strong annual profits recovery at the end of June, truck manufacturers **ERF** returned to prominence in the Motor sector as revived speculative buying pushed the shares up 10 to 93p. Elsewhere, **Lex Service** touched 317p on the bumper interim results, but soon retreated to 298p on profit-taking before after-hours' demand left a close of 315p, for a rise of 10 on the session. Recently favoured **T. Cowie** cheapened 7 to 187p on profit-taking ahead of Monday's interim results.

DRG lost 8 to 272p among Paper/Printings, while **David S. Smith** touched 265p before closing unaltered at 258p following the annual results. **WPP** closed at the overnight level of 500p; the price in yesterday's issue was incorrect.

Business in the Property sector, boosted by takeover speculation on Wednesday, contracted quite sharply with the leaders giving modest ground in the absence of further buying interest. Elsewhere, **Marler Estates** lost 10 to 530p following the annual results and confirmation of a £10.8m rights issue, while **Imry**, sharply higher on Wednesday following a bid approach, slipped 5 to 350p. **Belgrave Holdings** were a relatively lively market and moved between extremes of 128p and 139p prior to closing a net 4 up at 138p. **United Real** were finally unchanged at 880p, after 890p, pending the outcome of bid discussions with **Mountleigh** ½ higher at £10½. **Abaco** dipped to 71p prior to closing a penny off at 73p.

Milford Docks, 7 better at 72p on revived speculative support, provided an isolated firm feature in Shippings.

Some firm features emerged in Textiles. **Hugh Mackay** were outstanding with a speculative jump of 22 to 112p on takeover hopes, while **Lamont** continued firmly at 164p, up 8. **Atkins Bros.** moved up 8 to 263p and **Allied** rose 10 to 280p. **Courtaulds**, on the other hand, softened a penny at 267p.

Among Financial Trusts, **Argyle** improved a couple of pence to 46p following the interim results. Stockjobbers **Smith New Court** moved a further 5 forward to 165p and **Kwahu** recorded a speculative improvement of 3 at 37p. **Mercantile House**, however, lost 5 to 288p following comment on the results while **NMC Investments**, at 138p, lost 7 of the recent good rise which greeted news of Messrs C and M. Saatchi increased shareholding in the company. **Inter City** fell 7 to 173p.

Oils easier

The oil majors, firm on Wednesday following optimistic reports from the OPEC meeting currently underway in Geneva, turned easier at the outset of trading as general uncertainties regarding the eventual outcome of the meeting resurfaced. Crude prices also went lower, but a later report that 10 or 11 OPEC member states had agreed to voluntary cutbacks of 1.925m barrels per day stabilised the market and most quotations closed above the worst. **British Petroleum** settled 5 cheaper at 570p, after 567p, and **Shell** only 3 off at 800p, after 787p. **Britoil**, however, closed 3 down at 105p.

Lonrho came under renewed selling pressure on continuing concern about their South African interests and fell sharply to 204p before closing a further 10 down at 209p.

Mounting pressure for the imposition of economic sanctions against South Africa overshadowed proceedings in mining markets.

Top-quality Golds made limited progress, albeit in extremely subdued trading, reflecting a better performance by bullion which closed $6.875 higher at $356.875 an ounce—its best level since January 16 this year. **Vaal Reefs** rallied 1½ to £35¾ while **Amgold** rose ½ to £32¾ and **Southvaal** put on ¾ to £16½. **Randfontein**, on the other hand, fell a half-point to £42½. Similarly in smaller-priced issues, **Libanon**, 628p, and **Doornfontein**, 440p, dipped 16 and 12 respectively, while **"Freddies"** improved 10 to 130p. The FT Gold Mines index measured the uncertain tone, rising just 0.1 to 193.3.

London-registered Financials gave ground reflecting lower domestic equities. **RTZ** dipped 7 to 533p, while **Consolidated Gold Fields** fell to a year's low of 409p but later staged a modest rally to close 8 down on balance at 414p.

Australian mines got off to a dull start reflecting relatively neutral indications from overnight Sydney and Melbourne. Occasional interest developed later, however, and the leading diversified counters closed with modest gains. **Western Mining**, down to 128p earlier, rallied to 132p, a net rise of 2, while **Bougainville** hardened 5 to 111p.

Traded Options

The volatile performance of the company's shares prompted another active Traded Option business in **Lonrho** with 2,145 calls and 1,180 puts transacted. Elsewhere, operators returned for **British Telecom** which attracted 582 calls and 412 puts. Total contracts amounted to 15,019.

FINANCIAL TIMES STOCK INDICES

	July 31	July 30	July 29	July 28	July 25	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.06	89.35	89.04	88.88	89.19	83.21	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.97	96.02	95.74	95.76	96.03	88.49	97.68 (7/7)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,272.0	1,280.3	1,271.6	1,263.8	1,263.7	959.9	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	193.3	193.2	205.0	199.3	196.7	319.9	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.34	4.31	4.34	4.36	4.36	4.88				
Earnings Yld.% (full)	10.55	10.49	10.58	10.62	10.63	11.97				
P/E Ratio (net) (*)	11.56	11.63	11.53	11.48	11.47	10.30				
Total Bargains (Est.)	22,333	21,150	22,326	23,620	22,836	24,263				
Equity Turnover £m.	—	534.19	456.20	458.11	526.09	473.59				
Equity Bargains	—	19,484	19,318	19,068	23,801	17,672				
Shares Traded (ml)	—	233.4	251.9	299.2	265.6	219.3				

S.E. ACTIVITY

Indices	July 30	July 29
Gilt Edged Bargains	107.5	113.0
Equity Bargains	126.2	125.2
Equity Value	1079.7	922.1
5-Day Average		
Gilt Edged Bargains	109.6	112.5
Equity Bargains	131.2	130.4
Equity Value	1009.1	988.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1280.3	1278.5	1270.7	1266.1	1266.7	1268.0	1270.0	1271.9

Day's High 1280.9. Day's Low 1265.6.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.18.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (36)

BRITISH FUNDS (1) Tr. 8¾pc 2007, AMERICANS (1) Ameritech, CANADIANS (1) Amer. Barrick Res., BANKS (1) Algemene, CHEMICALS (2) Coates Bros., Ransom (Wm.), STORES (1) Brown (N.), ELECTRICALS (1) Amstrad, ENGINEERING (2) Carclo Eng., Hobson, FOODS (1) Appletree, INDUSTRIALS (1) Alumasc, Hargreaves, Hutchison Whampoa, Mainmet, Oriflame, Rolfe & Nolan, Unilever NV, INSURANCE (1) London United, NEWSPAPERS (1) [illegible], PAPER (1) Gibbon Lyons, PROPERTY (2) Glanfield Secs., Parkdale, TEXTILES (1) Courtaulds 7pc Db 1982-87, TRUSTS (11) General Funds, Do. Conv., Monks Invest., Murray Smaller Markets, Do. B, New Tokyo Inv., Northern American, Rights & Issues Cap., Romney NV, SPLIT Inc., US Db Corp., OILS (1) Exxon.

NEW LOWS (54)

AMERICANS (6) Amax, BASIX Corp., Bethlehem Steel, CSX Corp., Cullinet Software, Honeywell, IU Intl., USX. CANADIANS (3) Can. Imperial Bank, Can. Pacific, Gulf Can., STORES (2) Acsis Jewellery, Prontaprint, ELECTRICALS (6) Denmans Elect., Murray Tech. Invs., Norbain Elect., Polytechnic Elect., Sony, Telemetrix, ENGINEERING (1) Wyndham Grp., FOODS (1) Bio-Isolates, HOTELS (1) Norfolk Capital, INDUSTRIALS (13) Appledore (A. & P.), Ashley Ind'l. Tsts., BETEC, Brit. Island Airways, CSR, Central & Sheerwood, Intereurope Tech., Ipeco Hldgs., Limoges Porcelain, Lodge Care, Maxiprint, Mitchell Cotts, Ransco Oil, INSURANCE (1) Travelers, MOTORS (1) Gen. Motors Units, NEWSPAPERS (1) Euromoney Publ., PAPER (2) Davidson Pearce, Good Relations, Jarvis Porter, TRUSTS (3) Brit. Assets Tst Cv. Uns. Ln. 1995, Caledonia Invs., Camellia Invs., OILS (5) Crusader, Meridian Oil, Moonie Oil, Offshore, Santos, OVERSEAS TRADERS (1) African Lakes, MINES (4) Cons. Gold Fields, Gold Fields S.A., CRA, Emperor Mines.

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 31,744

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1

For rate indications see end of Unit Trust Service

Call options were taken out in Amstrad, Davies and Metcalfe A, Hymas, International Leisure, BSG International, "The Times" Veneer, Brunswick, Polly Peck, Mount Charlotte, Metal Box, Trafalgar House, Parkfield, Hawley, Grand Metropolitan, Wellman, Abaco Investments, Jonas Woodhead, Barker and Dobson, Thomas Warrington and Benjamin Priest. No puts were reported, but a double option was transacted in Intervision Convertible.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	39	15
Corporations, Dominion and Foreign Bonds	7	9	34
Industrials	295	348	884
Financial and Properties	99	115	372
Oils	29	24	72
Plantations	1	2	12
Mines	42	42	104
Others	38	18	124
Totals	511	696	1,649

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Amstrad	126	+4	Midland Bank	547	−5
Barclays	498	−14	Pilkington Bros.	413	—
Cement-Roadstone	118	−5	Sears	114½	−3½
Lasmo	61	+2	Shell Transport	800	−3
Lonrho	209	−10	Viewplan	68	+11
Matthews (B.)	250	+12	Wellcome	183	−4

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Wed. close	Day's change	Stock	No. of changes	Wed. close	Day's change
Britoil	21	108	+3	Barclays	14	512	−15
Imry Property	19	355	+45	BP	14	575	+10
Lonrho	18	219	+9	NatWest. Bank	14	518	+1
Glaxo	17	970	+18	British Telecom	13	189	+1
Hawley Group	17	88	+5	Amstrad	12	122	+10
Dee Corporatn.	16	240	+10	Brit. Aerospace	12	488	+15

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No. (Thursday July 31 1986)	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Weds July 30 Index No.	Tues July 29 Index No.	Mon July 28 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	695.60	−0.2	[illegible]							
[illegible]										
99 ALL-SHARE INDEX (734)	771.80	−0.5	[illegible]							
FT-SE 100 SHARE INDEX ♦	1558.1	−8.2	[illegible]							

FIXED INTEREST

PRICE INDICES	Thurs July 31	Day's change %	Weds July 30	xd adj. today	xd adj. 1986 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Thurs July 31	Weds July 30	Year ago (approx.)
[illegible]			

♦Opening index 1566.9; 10 am 1562.5; 11 am 1553.1; Noon 1549.3; 1 pm 1549.3; 2 pm 1550.8; 3 pm 1554.3; 3.30 pm 1556.0; 4 pm 1556.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

MONTHLY AVERAGES OF STOCK INDICES

	July	June	May	April
[illegible]				

BASE LENDING RATES

	%		%
ABN Bank	[illegible]	Exeter Trust Ltd.	[illegible]
[illegible]			

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. † Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

LONDON TRADED OPTIONS

Option	Calls			Puts		
[illegible]						

July 31. Total contracts 15,019. Calls 8,796. Puts 6,223
*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

July 31	Price Sch.	+ or —
Credit'nst'lt pp.	2,230	—10
Goesser	3,290	—20
Interunfall	13,100	+50
Jungbunzlauer	17,200	......
Laenderbank	2,230	—10
Perlmooser	595	+5
Steyr Daimler	159	......
Veitscher Mag	10,900	+100

BELGIUM/LUXEMBOURG

July 30	Price Frs.	+ or —
B.B.L.	5,025	—25
Banq. Gen. Lux	15,500	......
Banq. Int.A.Lux	15,100	—100
Bekaert	11,950	......
Ciment CBR	3,850	+150
Cockerill	182	......
Delhaize	2,800	—10
EBES	4,560	+95
Electrobel	14,925	......
Fabrique Nat	2,090	......
GB Inno BM	7,260	—60
GBL (Brux)	3,075	+75
Generale Bank	5,700	......
Gevaert	5,750	......
Hoboken	7,140	—60
Intercom	3,610	+15
Kredietbank	15,800	—400
Pan Hldgs	11,100	......
Petrofina	8,580	+10
Royale Belge	26,000	—850
Soc. Gen. Belge	2,900	+30
Sofina	9,500	......
Solvay	7,020	+10
Stanwick Intl	390	......
Tractinel	6,430	+30
UCB	7,800	—120
Wagons Lits	5,310	......

DENMARK

July 31	Price Knr %	+ or —
Andelsbanken	320	—5
Baltica Skand	560	......
Cop Handels'nk	257	—6
D. Sukkerfab	381	—5
Danske Bank	281	—6
De Danske Luft	1,320	—40
East Asiatic	195	—3
Forenede Brygg	1,010	—30
Forenede Damp	205	—7
GNT Hld	430	......
I.S.S.B.	585	—15
Jyske Bank	515	—25
Novo Inds*	248	—2
Privatbanken	250	—9
Provinsbanken	336	—1
Smidth (F.L.) B	262	—2
Sophus Berend	775	—10
Superfos	283	—3

FRANCE

July 31	Price Frs.	+ or —
Emprunt 4½% 1973	1,570	+2
Emprunt 7% 1973	7,866	+36
Accor	451	—1
Air Liquide	776	—10
BIC	615	+31
Bongrain	2,050	+20
Bouygues	1,302	+2
BSN Gervais	4,045	—7
CIT Alcatel	2,860	—10
Carrefour	3,300	—35
Club Mediter'n	584	—1
Cie Bancaire	1,220	—6
Cofimeg	408.5	—0.4
Damart	2,060	—36
Darty	5,605	—34
Dumez S.A.	1,584	+14
Eaux (Cie Gen)	1,208	—19
Elf Aquitane	276.9	—0.1
Essilor	2,890	......
Gen.Occidentale	1,061	—6
Imetal	58.3	—1.0
Lafarge Coppee	1,390	—30
L'Oreal	3,840	—6
Legrand	4,325	—1
Maisons Phoenix	209.9	......
Matra S.A.	2,360	+45
Michelin B	3,286	+1
[illegible]	[illegible]	[illegible]

GERMANY

July 31	Price Dm.	+ or —
AEG	275	—4
Allianz Vers	2,225	+20
BASF	243.5	......
Bayer	265.5	—0.5
Bayer-Hypo	560	+5
Bayer-Verein	505	+3
BHF-Bank	508	—10
BMW	460xr	—4
Brown Boveri	319	—0.5
Commerzbank	294.5	—4.3
Cont'l Gummi	291	+5.2
Daimler-Benz	1,130	+5
Degussa	382	—2
D'sche Babcock	172	......
Deutsche Bank	795	+2
Dresdner Bank	407.5	—4
Feld-Muehle Nbl	274.5	—3.5
Henkel	410	+5
Hochtief	1060	—50
Hoechst	243.5	—1.5
Hoesch werke	152	—1.5
Holzmann (P)	565	+5
Horten	198.5	—6.5
Hussel	575	......
Karstadt	387	+6
Kaufhof	468	+3
KHD	197	—8
Kloeckner	73	......
Linde	661	+1
Lufthansa	169	+9.5
MAN	212.5	—6.5
Mannesmann	172	—3
Mercedes Hld	963	......
Metallgesell	280	......
Muench Rueck	2,290	+30
Nixdorf	591	+2
Porsche	955	—5
Preussag	167	—4
Rhein West Elect	190.5	......
Rosenthal	348	—7
Schering	550.5	—6.5
Siemens	606.5	......
Thyssen	150.5	—0.3
Varta	345	+22
Veba	251.5	—2
V.E.W.	151	+1.1
Verein-West	428	......
Volkswagen	453	......

ITALY

July 31	Price Lira	+ or —
Banco Com'le	23,950	......
Bastogi-IRBS	650	......
Centrale	3,595	......
C.I.R.	13,490	+690
Credito Italiano	3,585	+36
Fiat	14,550	+230
General Assicur	141,900	+1,400
Italcementi	75,720	+120
La Rinascente	1,150	+30
Montedison	3,575	+125
Olivetti	17,250	+190
Pirelli Co.	7,585	+76
Pirelli Spa	5,550	+10
Saipem	5,680	+130
Snia BPD	5,549	—1
Toro Assic.	28,495	......

NETHERLANDS

July 31	Price Fls	+ or —
ACF Holding	332	......
AEGON	100.3	+0.3
Ahold	93.7	+2.2
AKZO	157.9	—0.1
ABN	608	+7
AMEV	75	+0.3
AMRO	108.3	+2.1
Bredero Cert	248	......
Bos Kalis Westm	16	—0.1
Buehrmann Tet	210.5	+2
Calland Hlgs	17.8	......
Dordtsche Pet'm	173	—0.4
Elsevier-NDU	207.5	+1.5
Fokker	86	+1.5
Gist Brocades	53.8	+0.2
Heineken	164	—0.5
Hoogovens	105.3	+0.3
Huntr Doug NN	50.5	......
Int. Mueller	82.4	—0.3
KLM	45.7	—0.5
KNP	160	+1.5
Naarden	51.5	+1.2
[illegible]	[illegible]	[illegible]

NORWAY

July 31	Price Kroner	+ or —
Bergens Bank	156	+1
Borregaard	355	......
Christiana Bank	174.5	......
DenNorske Cred	159.5	+1.5
Elkem	92	......
Kosmos	140	......
Kvaerner	160.5	+3
Norcem	93.5	—0.5
Norsk Data	189	—15
Norsk Hydro	131	+1.5
Storebrand	266	—1

SPAIN

July 31	Price Pta %	+ or —
Bco Bilbao	919	+4
Bco Central	698	+7
Bco Exterior	373	......
Bco Hispano	376	......
Bco Popular	1,080	......
Bco Santander	716	+4
Bco Vizcaya	1,380	+20
Dragados	330	+1
Hidrola	110.7	—1
Iberduero	155.5	+0.5
Petroleos	325.5	+0.5
Telefonica	181	......

SWEDEN

July 31	Price Kronor	+ or —
AGA	195	......
Alfa-Laval B	316	......
ASEA (Free)	360	......
Astra (Free)	665	......
Atlas Copco	213	......
Cardo (Free)	305	......
Cellulosa	284	......
Electrolux B	280	+2
Ericsson B	211	+1
Esselte	510	......
Mo och Domsjo	285	+5
Pharmacia	210	—1
Saab Scania Free	730	......
Sandvik	182	......
Skandia	545	+1
SKF	355	......
Sonneson	185	......
StoraKopparbrg	315	......
Swedish Match	355	......
Volvo B (Free)	381	—1

SWITZERLAND

July 31	Price Frs.	+ or —
Adia Intl.	6,425	—25
Alusuisse	570	......
Bank Leu	3,250	+25
Brown Boveri	1,715	—25
Ciba Geigy	2,900	—50
do. (Part Certs)	2,175	—75
Credit Suisse	3,555	+20
Elektrowatt	3,000	+25
Fischer (Geo)	1,630	+10
Hoff-Roche PtCts	96,250	......
Hoff-Roche 1/10	9,600	—50
Jacobs Suchard	7,625	—25
Jelmoli	3,450	+40
Landis & Gyr	1,780	+10
Nestle	7,485	—25
Oer-Buehrle	1,625	—5
Pirelli	425	......
Sandoz (Br)	10,100	+200
Sandoz (Pt Cts)	1,510	—5
Schindler (Pt Cts)	530	—40
Sika	1,350	......
Surveillance A	7,850	—125
Swissair	1,370	—30
Swiss Bank	502	—1
Swiss Reinsce	15,500	+100
Swiss Volksbk	2,390	+10
Union Bank	5,530	+70
Winterthur Inh	6,400	+110
Zurich Ins.	7,125	+25

AUSTRALIA

July 31	Price Aust $.	+ or —
ACI Intl	3.52	......
Adelaide Steams	11.0	+0.4
[illegible]	[illegible]	[illegible]

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm July 31

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices July 30

Total Sales 3,080,203 shares

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

NYSE-Consolidated 1500 Actives

TORONTO

* Saturday July 26: Japan Nikkei 17,998.3. TSE 1,445.80.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 37

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Amstrad	126	+4
Brit. Steam	258	+16
Cray Elect.	315	+7
Hargreaves	253	+11
Lamont Hldgs	164	+8
Mackay (H)	112	+22
Matthews (B)	250	+12
Milford Docks	72	+8
Ransom (Wm.)	330	+25
Rowntree Mack	412	+12
Viewplan	68	+11
Warrington	78	+9

FALLS		
Tr 11¾% 03-07	£117¾	—¾
Tr 2½% IL 11	£106¾	—¾
Barclays	498	—14
Blue Circle	568	—7
Cement-Roadstone	118	—5
Cowie (T)	187	—7
Lonrho	209	—10
Metal Cl	143	—10
600 Group	100	—8

Prices at 3pm, July 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13½	AAR s	.44	2.1	16	84	20¾	20½	20⅝	-1
30	21¾	ADT	.92	3.9		205	23¾	23⅝	23⅝	-⅛
33	11½	AFG s	.08r	.3	16	256	30	29⅝	29⅞	-⅛
25⅜	13¾	AGS			12	42	17⅝	17¼	17¼	-½
15	9⅞	AMCA			272	4	11	10⅞	10⅞	-⅜
60⅝	37½	AMR			13	4479	53	51½	51½	-1
16¾	11⅛	ARX	.711	6.3	10	38	11⅜	d11	11¼	
48⅛	28¾	ASA	2a	6.3		868	31⅞	30¾	31⅞	+1
18⅜	10	AVX		3.1		619	10⅜	10¼	10⅜	+⅛
32	22⅝	AZP	2.72	9.5	8	761	28⅞	28⅝	28⅝	-⅛
55	26⅝	AbtLb s .84		1.7	23	3014	50⅝	48⅞	50¼	+1
32	19⅝	AccoWd.56		2.2	49	2276	26⅝	25⅞	25⅞	-⅝
16¼	9⅛	AcmeC .40		4.1		196	10	9¾	9¾	-¼
9¼	7	AcmeE .32b		4.1	19	11	7¾	7½	7¾	+⅛
21	17	AdaEx 1.90e		9.2		50	20¾	20⅝	20¾	-⅛
33⅜	16	AdmMl .40		1.3	14	47	30⅞	30½	30¾	-⅜
20⅜	11¼	AdvSys.83t		5.1	15	6	16¼	16⅛	16⅛	
32⅞	14⅛	AMD				5774	16½	15⅝	15¾	-½
12⅝	5⅝	Adobe n				70	5⅞	5⅝	5¾	
18⅜	13¾	Adob pf1.84		13		25	14⅛	13¾	13⅞	-⅛
20¼	15¼	Adob pf2.40		14		29	17	16¾	16¾	-¼
18⅜	7⅜	Advest .12a		.8	12	153	16⅛	15⅝	15⅞	-⅛
66¼	42¼	AetnLf 2.64		4.4	10	2006	60	59⅝	59¾	-⅛
28¾	9¾	Ahmnss .48		1.8	8	1462	25¾	25⅜	25½	-⅛
5¾	2½	Aileen			95	16	4¾	4⅝	4¾	+⅛
41⅝	25¾	AirPrd s .80		2.4	62	2427	34½	34	34	
27¾	16	AirbFrt .60		3.4	15	34	17½	17¼	17½	
2⅛	⅜	AlMoan .60c				25	7-16	13-32	13-32	+1
10¼	7⅜	AlaP dpf.87		8.9		12	9¾	9¾	9¾	

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Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

AMEX COMPOSITE PRICES

Prices at 3pm, July 31

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 35

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Hesitation prompted by mixed data

MORE MIXED signals on the state of the economy prompted a cautious mood on Wall Street yesterday as investors failed to carry through the rally sparked late on Wednesday, *writes Paul Hannon in New York.*

The bond market, however, recovered slightly on calls by Mr Robert Dole, Senate majority leader, for the Federal Reserve Board to cut the discount rate again soon. A 0.3 per cent drop in domestic factory orders for June, suggesting a stalled economy, added force to the argument for lower rates. In the previous session, it was revealed that business activity for the first quarter grew by 1.7 per cent.

The announcement of June leading indicators has been postponed until today.

At 3pm the Dow Jones industrial average was 0.99 lower at 1,778.40.

Among blue chips, IBM recovered $¾ to $133, American Can fell $¾ to $81⅝ despite its recent good profits figures and General Motors picked up $¼ to $68⅝.

The steel sector proved busy again with LTV falling $⅛ to $2¾, while USX held steady at $16¾ despite the collapse of talks with union negotiators. Bethlehem Steel, which reported a second-quarter loss and omitted its preferred dividend, was firm for most of the session until Standard & Poor's downgraded its preferred stock rating. Bethlehem fell a further $⅛ to $6⅞ in heavy volume.

Inland Steel posted a $⅛ advance to $15¾ in thin trading.

Most car makers were weak with Ford down another $1 to $53¾, Chrysler off $½ to $35⅞ and American Motors down $⅛ to $3⅛.

Navistar, one of the most active stocks in early trading, retreated $⅛ to $7, while Caterpillar jumped $2½ to $44⅝ in heavy turnover.

Oils produced a spate of features with Occidental Petroleum down $⅛ to $23⅞ on its drop in second-quarter profits while Texaco held steady at $29⅝ ahead of its courtroom encounter with Pennzoil, down $¾ to $53¾.

Standard Oil retreated $¾ to $42¼ on consideration of its move into natural gas, while Atlantic Richfield dipped $⅜ to $46⅛ on its recent results.

Hughes Tool held steady at $7⅝ after announcing plans to buy the drilling services unit of Combustion Engineering, $⅜ ahead at $28½ in thin trading.

Eastern Air was the latest carrier to report for the second quarter. The group slipped $⅛ to $8⅞ on its $44m loss compared with a $25m profit for the corresponding three months.

UAL, the largest US carrier, dipped $⅝ to $52⅞, while TWA gave up some of its recent strength to trade $½ lower at $17.

Morton Thiokol, the aerospace to salt group, edged $¼ lower to $34⅝ despite higher second-quarter earnings.

CBS continued to fall sharply on its lower forecast for the second half. It dropped $2¼ to $130 after Wednesday's $5⅛ setback. Capital Cities/ABC, which also projected poor growth in the next six months, fell another $4⅞ to $251⅛.

Safeway returned to the centre stage in the stores sector as Dart agreed to drop its bid for the supermarket chain but was given an option to buy 20 per cent of the group formed by Kohlberg Kravis and Roberts to buy out Safeway. Dart, traded on the over-the-counter market, jumped $11 to $161, and Safeway firmed $¼ to $65⅝ in heavy turnover.

The US/Japan pact on microchip prices boosted Motorola an early $¼ to $38 while Digital Equipment added $⅛ to $91⅝, both in very active trading.

Xerox managed a $¼ rise to $53⅝ despite its downgrading on Wednesday of its senior debt by Standard & Poor's.

Wendy's, the third largest domestic hamburger chain, recouped early losses to trade unchanged at $11¾ on its recent results and overseas reorganisation.

The bond market stabilised after Wednesday's gyrations induced by the late announcement of the Treasury's refunding plans that will raise $28bn. Many investors moved to the sidelines ahead of today's figures on July employment.

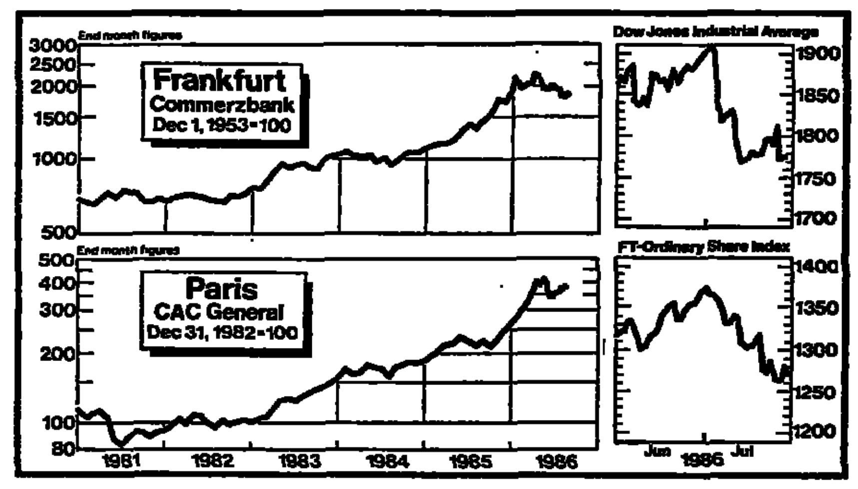
The key long, the 7¼ due in 2016, added 5/32 at 97 12/32 to yield 7.47 per cent, while the other bellwether issue, the 7⅞ per cent 1996 gained 1/32 at 100 5/32 to yield 7.33 per cent.

Federal funds opened at 6¼ per cent and moved later to 6 5/16 per cent.

Rates on Treasury, bills were broadly lower with the three-month bill slipping 3 basis points to 5.81 per cent and the six-month bill 2 basis points lower at 5.83 per cent. The 12-month issue traded 3 basis points down at 5.87 per cent.

Municipal bonds gained up to ½ point in active early dealing with strong demand in the revenue bond sector.

MARKET MONITORS



STOCK MARKET INDICES

	July 31	Previous	Year ago
NEW YORK			
DJ Industrials	1,778.40*	1,779.39	1,347.45
DJ Transport	716.13*	718.88	692.88
DJ Utilities	203.72*	203.94	157.08
S&P Composite	236.00*	235.95	190.92
LONDON	**July 31**	**Prev**	**Year ago**
FT Ord	1,272.0	1,280.3	959.9
FT-SE 100	1,558.1	1,566.3	1,261.7
FT-A All-share	771.80	775.34	616.98
FT-A 500	847.08	850.25	676.44
FT Gold mines	193.3	193.2	319.9
FT-A Long gilt	9.54	9.49	10.19
TOKYO			
Nikkei	17,509.71	17,799.05	12,232.3
Tokyo SE	1,426.92	1,450.27	992.13
AUSTRALIA			
All Ord.	1,123.5	1,108.7	938.0
Metals & Mins.	507.6	500.6	531.0
AUSTRIA			
Credit Aktien	230.58	230.38	94.28
BELGIUM			
Belgian SE	3,626.58	3,623.45	2,317.54
CANADA	**July 31**	**Prev**	**Year ago**
Toronto			
Metals & Minls	1,948.2*	1,955.0	2,096
Composite	2,931.7	2,931.1	2,778.6
Montreal			
Portfolio	1,461.73*	1,463.10	136.66
DENMARK			
SE	197.90	202.50	216.23
FRANCE			
CAC Gen	378.50	380.40	212.4
Ind. Tendance	145.30	145.30	78.1
WEST GERMANY			
FAZ-Aktien	607.94	611.18	461.88
Commerzbank	1,825.10	1,842.00	1,351.4
HONG KONG			
Hang Seng	1,856.46	1,847.94	1,680.62
ITALY			
Banca Comm.	737.71	725.75	354.16
NETHERLANDS			
ANP-CBS Gen	283.80	283.10	216.7
ANP-CBS Ind	285.40	284.20	174.9
NORWAY			
Oslo SE	336.06	335.12	345.81
SINGAPORE			
Straits Times	741.94	746.30	771.95
SOUTH AFRICA			
JSE Golds	–	1,341.9	909.4
JSE Industrials	–	1,226.3	958.2
SPAIN			
Madrid SE	174.79	173.69	82.76
SWEDEN			
J & P	2,446.70	2,438.74	1,354.70
SWITZERLAND			
Swiss Bank Ind	505.80	508.50	453.9
WORLD	**July 30**	**Prev**	**Year ago**
MS Capital Int'l	330.00	326.3	219.3

COMMODITIES

(London)	July 31	Prev
Silver (spot fixing)	338.35p	332.70p
Copper (cash)	£879.00	£886.25
Coffee (Sept)	£1,742.50	£1,871.50
Oil (Brent blend)	$9.30	$9.6225

GOLD (per ounce)

	July 31	Prev
London	$358.875	$352.00
Zürich	$359.00	$352.10
Paris (fixing)	$358.48	$353.36
Luxembourg	$354.10	$351.85
New York (Aug)	$362.70	$352.00

CURRENCIES

(London)	US DOLLAR July 31	US DOLLAR Previous	STERLING July 31	STERLING Previous
$	–	–	1.4925	1.4905
DM	2.0930	2.1135	3.1225	3.15
Yen	153.75	156.00	229.5	232.5
FFr	6.8025	6.8525	10.1425	10.215
SFr	1.6775	1.695	2.5025	2.5275
Guilder	2.3590	2.3805	3.52	3.5475
Lira	1,436.75	1,451	2,144.25	2,162.75
BFr	43.30	43.75	64.60	65.20
C$	1.3795	1.3835	2.0560	2.0610

INTEREST RATES

Euro-currencies (3-month offered rate)	July 31	Prev
£	10	10
SFr	4¾	4¾
DM	4 11/16	4 11/16
FFr	7 7/16	7 7/16
FT London Interbank fixing (offered rate)		
3-month US$	6½	6 9/16
6-month US$	6½	6 9/16
US Fed Funds	6⅛*	6¼
US3-month CDs	6.15	6.425
US3-month T-bills	5.79*	6.02

US BONDS

Treasury	July 31* Price	July 31* Yield	Prev Price	Prev Yield
6¾ 1988	100⅛	6.557	99 29/32	6.676
7⅛ 1993	100	7.206	99 23/32	7.276
7⅞ 1996	100 5/32	7.323	99 21/32	7.395
7¼ 2016	97 12/32	7.462	96 31/32	7.505

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	July 31* Return Index	Day's change	Yield	Day's change
1–30	153.64	+0.54	7.29	–0.08
1–10	146.65	+0.37	7.03	–0.09
1– 3	137.85	+0.24	6.68	–0.10
3– 5	148.92	+0.47	7.20	–0.10
15–30	178.85	+1.22	8.15	–0.07

Source: Merrill Lynch

Corporate	July 31* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	91¾	6.33	91¾	6.33
SCBT South Central 10⅞ Jan 1993	106.39	8.50	106.39	8.50
Phibro-Sal 8 April 1996	96.72	8.50	96.72	8.50
TRW 8⅜ March 1996	101.28	8.55	101.28	8.55
Arco 9⅞ March 2016	102⅝	9.66	102⅝	9.66
General Motors 8⅛ April 2016	91⅞	8.98	91⅞	8.98
Citicorp 9⅞ March 2016	96⅜	9.79	96⅜	9.79

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	97-15	97-25	96-23	97-00
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.40	94.44	94.34	94.32
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	93.83
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.53	93.53	93.49	93.46
20-year Notional Gilt £50,000 32nds of 100%				
Sept	120-09	121-01	120-00	120-26

* *Latest available figures*

EUROPE
Holidays prove a distraction

THE TRADITIONAL August holidays appeared to start one day early in Europe yesterday where trading was generally lifeless and dull. Investors seemed distracted by visions of vacation frolics and most bourses turned lower.

Milan was an exception, however, and the bourse rose around 2 per cent on the day. Borsomat, the new computerised system designed to pave the way for continuous trading and to speed up transactions between investors and brokers, began its first test run.

The system, which will be fully operational in October or November, provided electronic links between six Italian bourses.

Buying interest was particularly lively in the industrial and insurance sectors.

Montedison, which is forecasting net profits of L250bn this year, gained L121 to L3,571, Generali advanced L2,950 to L143,050, while Fiat ended at L9,699, up L399.

Stockholm turned higher as turnover recovered from the all-year low of the previous session. Ericsson remained at the centre of attention with its B shares up SKr 1 at SKr 211, helped by rumours of a major order from Venezuela.

Frankfurt ended at its lows for the day, hurt by the weaker dollar which kept investors away.

Even higher first-half profits at Deutsche Bank failed to inspire the market although Deutsche added DM 2 to DM 795. But Commerzbank, which reported a jump in earnings on Wednesday, gave up DM 5.30 to DM 294.50 and Dresdner fell DM 4 to DM 407.50.

Siemens, which has also bid for the Venezuelan telecom deal and announced lower profits for the first nine months, remained steady at DM 606.50, while AEG fell DM 4 to DM 275.

Foreigners took advantage of the softer dollar to buy bonds, pushing prices as high as 50 basis points. Hopes that the Bundesbank will cut interest rates in the autumn also spurred trading.

The Bundesbank sold a large DM 98.8m worth of paper after selling DM 62.9m the previous session.

Paris investors pared their positions ahead of the holidays and despite a small rise in the bourse index, declines outnumbered advances 106 to 65.

Food stocks felt the brunt of selling as the weak dollar raised concern about export prospects. Perrier fell FFr 29 to FFr 737 and Moët-Hennessey dropped FFr 35 to FFr 2,275.

Electronic issues also suffered with Thomson CSF down FFr 15 to FFr 1,510 and Radiotechnique off FFr 14 to FFr 841.

Amsterdam was mixed with banks holding firm on profits news from their West German neighbours.

ABN, up Fl 11 at one stage, ended Fl 7.50 higher at Fl 608.50, NMB advanced Fl 3.50 to Fl 212 and Amro added Fl 2 to Fl 108.20. Amro is due to report first-half figures on August 6.

Bonds were mostly unchanged in selective trading.

Brussels was narrowly mixed and **Zurich** ended steady ahead of the long holiday weekend. Bonds were steady.

Both **Madrid** and **Oslo** were higher in active trading.

TOKYO
Yen's surge sparks sharp falls

LATE MORNING selling of large-capital stocks drove equities sharply lower almost across the board in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average tumbled 289.34 points from the previous day to 17,509.71, the sixth steepest fall on record. Trading volume remained high at 1.4bn shares, although it was down from Wednesday's 1.52bn shares. Declines outnumbered advances by 706 to 173, with 98 issues unchanged.

Early in the session the Nikkei index gained 83 points from Wednesday's close. It plunged 307 points in the late afternoon, rallying slightly just before the close.

The market began buoyantly in continued demand for large-capital stocks. However, it went into a swift reverse despite the lack of any significant unfavourable factors.

One official at a major securities company said selling was sparked by the yen's surge to another post-war high against the dollar on the Tokyo Foreign Exchange Market. This was caused by mounting concern over high prices and rumours that the Ministry of Finance was uneasy about the level of enthusiasm in the stock market.

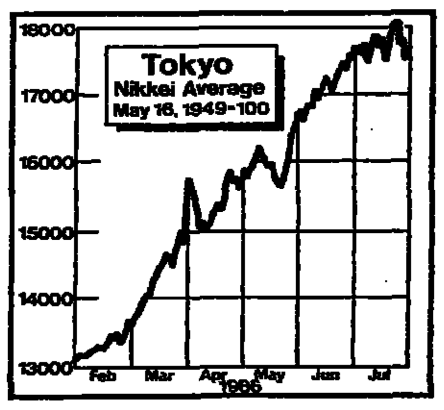
Large-capital stocks fluctuated wildly. Tokyo Gas rose Y43 at the opening, but ended at an asked price of Y810, down Y7 from the previous day, on sell orders for 13m shares against buy orders for 4m. It was the fifth busiest issue with 45.01m shares changing hands.

Nippon Kokan, the most active stock with 181.33m shares traded, shed Y9 to Y240, Nippon Steel, with 152.70m shares traded, fell Y1 to Y205 and Kawasaki Steel, with 146.85m shares traded, lost Y9 to Y211. Nippon Yusen, with 42.62m shares traded, slipped Y38 to Y512 and Mitsubishi Heavy Industries, with 41.39m shares, Y14 to Y477.

Tokyo Electric Power dropped Y150 to Y5,750 after climbing Y170 at one stage.

The 10 most active stocks accounted for 57.8 per cent of total volume.

Budget-influenced and property stocks also plunged across the board. Kajima fell Y50 to Y1,000, Ohbayashi Y27 to Y765, Mitsubishi Estate Y150 to Y2,220 and Mitsui Real Estate Y120 to Y2,000.



Blue chips were mixed. Matsushita Electric Industrial gained Y10 to Y1,280, while NEC weakened Y40 to Y1,280 on light selling.

Although institutional investors remained on the sidelines, bonds firmed on high hopes for the fourth Japanese discount rate cut this year due to the yen's continued rise against the dollar.

The yield on the benchmark 6.2 per cent government bond falling due in July 1995 fell from 4.695 to 4.670, and that on the 6.1 per cent issue due in January 1996 fell from 5.420 to 5.350 per cent.

SINGAPORE

POLITICAL WORRIES ahead of elections in Malaysia dominated Singapore which closed narrowly mixed after profit-taking trimmed earlier gains.

Among actives Haw Par lost 1 cent to close at S$2.85 and Singapore Airlines slipped 5 cents to S$7.25.

Among the banks DBS, OCBC and UOB all closed unchanged at S$7.10, S$7.20 and S$3.96, respectively. However, OUB slipped 2 cents to close at S$2.93.

AUSTRALIA

BARGAIN-HUNTING by foreign investors and renewed takeover speculation buoyed Sydney again adding 14.1 to the All Ordinaries index which closed at 1,123.5.

Talk of takeovers dominated the market after reports that Bell Resources had given its BHP voting rights to Elders.

Bell Resources closed 35 cents up at A$4.20, BHP lost 2 cents to A$8.[illegible] and Elders gained 15 cents to A$4.70.

A special sale of Herald and Weekly Times shares fuelled bid rumours. The stock closed 14 cents up at A$6.34. News Corp was steady at A$20.

LONDON

HOPES of a continuing rally in London were dashed as confidence faltered and leading shares stalled after initially edging forward.

The possibility of sanctions against South Africa and doubts over Opec's ability to agree oil production quotas helped to sap enthusiasm from the market.

The FT-SE 100 index closed 8.2 lower at 1,558.1 while the FT Ordinary share index lost 8.3 to 1,272.0.

Barclays Bank, which has commercial ties with South Africa, lost 14p to 498p. Midland fell 5p to 547p after reporting higher first-half profits.

Lonrho, another group with South African interests, lost 10p to 209p.

Among gilts heavier-priced longer-dated stock closed with falls ranging to ⅝ and, except for the new stock, index-linked issues also gave ground.

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HONG KONG

LATE BUYING, particularly by overseas investors, helped Hong Kong to close higher after a day of fluctuating prices.

In the utilities sector Hongkong Telephone led the market's advance with a 20 cents rise to HK$13.20. Elsewhere in the sector Hongkong Electric added 5 cents to HK$9.30, Hongkong and China Gas was steady at HK$16.80 and China Light slipped 10 cents to HK$16.10.

Among properties Cheung Kong was up 30 cents to HK$22.90.

CANADA

FALLS among industrials helped to trim early gains in Toronto, which traded mixed.

Cineplex Odeon, which agreed to buy RKO Century Warner Theatres for US$179m, traded C$⅞ lower at C$20½.

Among industrials which traded actively Canadian Pacific fell C$⅛ to C$14¾, Moore Corp added C$¼ to C$35¾, while CB Pak was unchanged at C$28 after reporting improved second-quarter profits.

SOUTH AFRICA

CURRENCY FACTORS and the rising bullion price continued to influence Johannesburg where good gains were seen.

Much of the advance was led by minings with, among golds, Buffelsfontein adding R2.25 to R79.50 and Driefontein up 75 cents at R56.25.